

Azzahra, Nadia Fairuza; Safira, Latasha

**Working Paper**

## The importance of financial management and entrepreneurship competencies for school principals

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Discussion Paper No. 13

# The Importance of Financial Management and Entrepreneurship Competencies for School Principals

by Nadia F. Azzahra & Latasha Safira







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**The Importance of Financial Management and  
Entrepreneurship Competencies for School Principals**

**Authors:**  
Nadia F. Azzahra & Latasha Safira  
Center for Indonesian Policy Studies (CIPS)

Jakarta, Indonesia  
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## GLOSSARY

### **APE:**

Interactive Toys (*Alat Permainan Interaktif*)

### **BBGP:**

*Balai Besar Guru Penggerak*

### **BGP:**

*Balai Guru Penggerak*

### **BMC:**

Business Model Canvas

### **BOP PAUD:**

Education Operational Assistance for ECE (*Bantuan Operasional Penyelenggaraan Pendidikan Anak Usia Dini*)

### **BOS:**

School Operational Assistance (*Bantuan Operasional Sekolah*)

### **ECE:**

Early Childhood Education

### **EDS :**

School Self-Evaluation (*Evaluasi Diri Sekolah*)

### **e-RKAS:**

Electronic School Planning and Budgeting System (*Aplikasi Rencana Kegiatan dan Anggaran Sekolah*)

### **HHI:**

Happy Hearts Indonesia

### **HIMPAUDI:**

Association of ECE's Teachers and Teaching Personnel (*Himpunan Pendidik dan Tenaga Pendidikan Anak Usia Dini*)

### **LMS:**

Learning Management System

### **LPPKS:**

School Principals Development and Empowerment Body (*Lembaga Pengembangan dan Pemberdayaan Kepala Sekolah*)



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**LPJ:**

Accountability Report (Laporan Pertanggungjawaban)

**MOEC:**

Ministry of Education and Culture

**MOECRT:**

Ministry of Education, Culture, Research, and Technology

**MONE:**

Ministry of National Education

**RKS:**

School Work Plans (*Rencana Kerja Sekolah*)

**RKAS:**

School Planning and Budgeting System (*Rencana Kegiatan dan Anggaran Sekolah*)

**RKJM:**

Medium-term Work Plans (*Rencana Kerja Jangka Menengah*)

**RJT:**

Annual Work Plans (*Rencana Kerja Tahunan*)

**SBM:**

School-Based Management

**SWOT:**

Strength, Weakness, Opportunity, Threat

**UPT:**

Technical Implementation Unit (*Unit Pelaksana Teknis*)

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## EXECUTIVE SUMMARY

Both school financial management and entrepreneurship are acknowledged as important competencies to acquire for school principals in Indonesia. Appropriate school financial management is important to ensure school funds are spent efficiently and effectively to support the provision of quality education services. Entrepreneurship, on the other hand, incorporates values such as leadership, self-sufficiency, and resourcefulness that are necessary to develop their schools, supervise their teachers and education personnel, as well as and effectively address future challenges.

The unprecedented COVID-19 pandemic has highlighted the importance of these two competencies in the face of adversity. For example, while schools have been given an increase in flexibility to utilize the School Operational Assistance according to their school's individual needs, this also implies that the freedom comes with responsibility to manage their funds appropriately. In addition, schools, especially those catering to low-income families, also faced financial challenges due to the low-enrollment. This demonstrates the need to implement entrepreneurship practices to respond to these challenges.

Unfortunately, many school principals and education personnel in Indonesia lack the necessary school financial management and entrepreneurship skills. A presurvey with 23 Early Childhood Education (ECE) school principals and education personnel in Southwest Sumba revealed that the majority of respondents (88%) have not received any form of training on school financial management and entrepreneurship. At the same time, they have also expressed the need to acquire basic financial management skills (e.g. bookkeeping) as well as entrepreneurship practices to improve and sustain their school operations.

In September and November 2021, school financial management and entrepreneurship capacity building training were offered to school principals and education personnels from six low cost private ECEs in Southwest Sumba. Following the program, the participants applied the financial management practices taught, such as profit-loss statements, in order to improve the accuracy of their financial reporting. Furthermore, all schools increased their fundraising activities by establishing their own small businesses using entrepreneurship principles introduced during the training sessions.

The outcomes of the capacity building training demonstrates the importance of attaining financial management and entrepreneurship knowledge and skills among school principals and education personnel. Using financial management and entrepreneurship skills, school principals and education personnels are able to become more resilient and adaptive, especially in the face of sudden changes.

The development of these competencies should be prioritized by the Ministry of Education, Culture, Research, and Technology. This can be achieved through the new school principals and education personnel empowerment bodies, BBGP (*Balai Besar Guru Penggerak*) and BGP (*Balai Guru Penggerak*). In addition, the local education agencies should also facilitate the development of entrepreneurial practices such as supporting school principals to foster relations and engagements with other education stakeholders and the local communities.

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## INTRODUCTION

School financial management refers to the execution of managerial activities such as accounting, financial planning, reporting and the organization of assets in the education institution (Aina and Bipath, 2020). The primary objective of school financial management is to ensure that the funds raised (or received) will be used efficiently and effectively to support the provision of quality education services (Ogbonnaya, 2000, as cited in Munge, Kimani and Ngugi, 2016). In many parts of the world, the responsibility of a school's financial management lies in the school principals (Myende, Bhengu, Kuene, 2020; Espinosa, 2017; Dwangu and Mahlangu, 2021). School principals with the help of vice principals, education personnel,<sup>1</sup> and, in many cases, teachers, work together to manage school budgets and other administrative activities.<sup>2</sup>

Poor management of funds may lead to the misuse, theft and misallocation of funds, inability to meet targets, and in worst cases, school closure (ibid). This indicates that the implementation of financial management can improve the school's accountability towards students, parents as well as donors and other funders.

Better school financial management can also bring other benefits, such as better decision making, ability to outline specific areas for improvement, ability to examine the progress of achieving set targets, timely program evaluations, greater budgetary control and improved administrative efficiency and mandated reporting (Allison, 2015). Comprehensive financial planning and records are part of school data that can be used to ensure that resources are being used productively. Producing the reports may also facilitate better communication between school leaders and personnels, as well as parents and the wider local community, especially in regards to the use of the school's revenue, which in turn increases the transparency of education information. Therefore, an appropriate school financial management is essential to support education institutions to achieve their educational objectives and is essential in improving the quality of education in an institution (Ojiambo, 2010).

In addition, entrepreneurship is also important to support school operations and development. Entrepreneurship as a concept holds various meanings depending on the context in which it is embedded (Audretsch, Kuratko & Link, 2015). Generally, it is understood that entrepreneurship refers to business creation to generate profits. However, in practice it also encapsulates a process of personal development that embodies attitudes such as leadership, being self-sufficient, action oriented, and confident in taking initiative (Lackeus, 2015). This means that in an education setting, school leaders, principals and other education personnels may develop entrepreneurial attitudes and apply them to help develop their schools and improve the quality of the service.

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<sup>1</sup> Education personnel carry out administration, management, development, supervision, and technical services to support the educational process at schools.

<sup>2</sup> In Indonesia, schools with limited resources often require the help of teachers to carry out the administrative activities as they cannot afford to employ standalone administrative staff.

Both school financial management<sup>3</sup> and entrepreneurship<sup>4</sup> are acknowledged as important skills that school principals in Indonesia are required to develop, as stipulated in the National Education Regulation No. 13/2007 on School Principal Standard. On top of that, the requirement to organize entrepreneurship development programs<sup>5</sup> is listed among the school principals' responsibilities, as stipulated on the MOEC Regulation No. 15/2018 on Teachers, School Principals, and School Supervisor Work Fulfillment. This shows the degree of how governments' commitment to push school principals to be entrepreneurial and independent, especially in leading the teachers, other education personnel and students towards better school development. It is also stipulated in the MOECRT Regulation No. 40/2021 on Assignments of Teachers as School Principals that the main tasks of school principals are strictly related to managerial role, entrepreneurship development and teachers' and education personnel supervision to support students' learning.

Given the diversity of schools' environment and resources in Indonesia, the government grants schools with greater autonomy in their decision making processes through School-Based Management (*Manajemen Berbasis Sekolah* or SBM). The provision of SBM allows schools to plan, implement, teach and organize any necessary activities at their institution, manage their own curriculum as well as resources, including financial resources, in an effective and efficient way. However, according to Grauwe (2005), effective school based management should be complemented with specific pre-conditions and strategies in order to ensure a positive impact on quality, such as the availability of basic resources and the provision of opportunities for professional development through improved training, to maintain motivation for school personnels. Therefore, in practice, SBM requires school principals and education personnel to develop the necessary competencies to be able to manage their schools accordingly.

Unfortunately, across education levels in Indonesia, many school principals and education personnel are reported to have a lack of knowledge and relevant competencies to effectively manage school finances. This can be reflected in school outcomes across Indonesia, as many are still unable to effectively implement SBM (Nurkolis, 2017). A study by Rini et al (2020) shows that the ineffectiveness of SBM implementation primarily due to the lack of professional competencies and knowledge among school principals and other education personnel. Furthermore, a study on the training needs of the heads of the administrative staff and school administrative staff of vocational schools<sup>6</sup> found that approximately 82% of the participants specifically needed to develop and improve their skills in conducting and implementing financial administration and management (Sabandi, Anisah & Rusdinal, 2018). This high percentage is concerning given one of their required competence is to perform a proper financial administration as stipulated in the National Education Regulation No. 24/2008 on School Administration Personnel Standard. This means that while SBM has been granted to increase autonomy for schools, the school principals and education personnel still have not developed the required skills to execute it effectively.

Unfortunately, across education levels in Indonesia, many school principals and education personnel are reported to have a lack of knowledge and relevant competencies to effectively manage school finances.

<sup>3</sup>The school financial management skills as referred to in the regulation is related to how school principals are able to manage school finance in accordance with the principles of accountability, transparency, and efficiency.

<sup>4</sup>The aspects of entrepreneurial skills included in the regulation are: 1. Create innovation to support school development; 2. Demonstrate hard work to achieve school success; 3. Have a high motivation to perform their job as school principals; 4. Always look for solutions to solve school's challenges; 5). Have an entrepreneurial mindset in managing school business or production units in order to facilitate students' learning.

<sup>5</sup>School principals are required to plan, execute, and evaluate the program independently. The kind of programs are: entrepreneurship characters development program, production unit development program and an internship program.

<sup>6</sup>The study was conducted across seven regions in West Sumatra.

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Despite many school principals and education personnel not being equipped with necessary financial management expertise, they are still the ones who are most knowledgeable on the school circumstances and have direct access to the school resources and other school stakeholders, such as parents, the local government and local community. Given the provision of SBM and its current limitations, it should have been a priority for MOECRT and local governments to continuously improve the capacity of school principals and other administrators to be able to manage the schools. This further demonstrates that many schools in Indonesia are inefficiently operated, thus affecting their learning activities and students' academic performance.

An interview with a MOECRT representative revealed that the Ministry has deprioritized the capacity development of school principals in regards to their financial management skills and entrepreneurship (Interview with MOECRT, 2021). Instead, they have declared focus on improving pedagogical skills to recover the negative impacts of the pandemic on the education sector, such as learning loss.

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## THE IMPORTANCE OF CAPACITY BUILDING FOR SCHOOL PRINCIPALS AND EDUCATION PERSONNEL

It is critical that school principals acquire and develop the necessary skills to fulfill their responsibilities, including financial management and entrepreneurship. Studies have shown that there is a strong correlation between the financial management capabilities of school principals and the financial health of their schools, as well as the quality and efficiency of their school's performance (Munyalo and Njoka, 2022; Valenzuela and Buevinida, 2021). According to Munyalo and Njoka (2022), school principals who have a strong background in accounting and bookkeeping are more likely to prevent overspending and control the flow and use of available resources. Proper school principals financial management practices is one of the contributing factors to the improvement of students' learning outcomes (Wanjala, Wamocha & Sang, 2020; Amos, Ephrahem & Bhoke-Africanus, 2021).

Capacity building refers to a set of activities aimed at developing an institution's internal structures and operations as well as an individual's capabilities, skills and behavior to meet their set objectives in an efficient and sustainable way (Ku & Yuen-Tsang, 2013 cited in Brix, 2019). In the case of educational institutions, the provision of capacity building facilitates the process for education personnels such as school principals, teachers, and education personnel to improve the quality of their service. This also improves the resiliency of schools in tackling institutional and educational challenges that tend to evolve overtime.

A capacity building program for school principals is especially important to offer them the opportunity to further develop their knowledge and skills on how to implement financial management and entrepreneurship principles into their school's operations and daily activities. In turn, participating school principals can better guide teachers and education personnel to manage school resources more effectively.

**“A capacity building program for school principals is especially important to offer them the opportunity to further develop their knowledge and skills on how to implement financial management and entrepreneurship principles into their school's operations and daily activities. In turn, participating school principals can better guide teachers and education personnel to manage school resources more effectively.”**

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In Indonesia, trainings for the school principals, commonly known as “Diklat”, or “education and training” (*pendidikan dan pelatihan*), are organized locally by the technical implementation unit (*Unit Pelaksana Teknis/UPT*)<sup>7</sup> and the Education Agency. Prior to 2022, the UPT that organized school principals training was School Principals Development and Empowerment Body (*Lembaga Pengembangan dan Pemberdayaan Kepala Sekolah/LPPKS*). Before assuming their position as school principals, the candidates must enroll and participate in Diklat, which includes modules to develop their school financial management and entrepreneurship skills.

Per April 2022, the MOECRT established a new technical unit spread across all provinces in Indonesia to improve the competencies of school principals, school principal candidates, teachers, teaching personnel, school supervisor, and school supervisor candidate called *Balai Besar Guru Penggerak (BBGP)* and *Balai Guru Penggerak (BGP)* as stipulated in the MOECRT Regulation No. 14/2022 on BBGP and BGP Organization and Work Procedure.<sup>8</sup> While these new bodies are expected to help improve the capacity of school principals, teachers, and other education personnel, it remains to be seen whether these new bodies will re-evaluate their past programs and improve how they organize school financial management and entrepreneurship training to ensure that better competencies are achieved.

On the other hand, education personnels such as treasurer or administrator, are only required to participate in training related to the use of government assistance, such as School Operational Assistance, through technical guidance (*bimbingan teknis/bimtek*). This suggests that any technical, financial skills developed are limited to those that would only assist them in managing and reporting government-related assistance. Furthermore, these technical guidance are often offered sporadically and depends on the political will of the respective local governments (Interview with MOECRT ECE Directorate Representative, 2022). Consequently, the technical guidance failed to reach all ECEs in their area, causing poor management and reporting of the School Operational Assistance.

Alternatively, training programs on school financial management may be delivered by civil society such as university students or non-governmental organizations that are well-aware of the importance of financial management for education institutions. This demonstrates low access to financial management training among education personnel, given the limited availability.

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<sup>7</sup> Technical Implementation Unit (*Unit Pelaksana Teknis/UPT*) carries out technical responsibilities or support technical activities.

<sup>8</sup> With this new development, LPPKS were officially disbanded.

# CAPACITY BUILDING PROGRAM ON SCHOOL FINANCIAL MANAGEMENT AND ENTREPRENEURSHIP FOR ECE'S SCHOOL PRINCIPALS AND EDUCATION PERSONNEL

In 2020, CIPS and Happy Hearts Indonesia (HHI)<sup>9</sup> conducted a pre-survey with school principals and other schools' representatives such as teachers who also work as education personnel<sup>10</sup> from 23 low-cost private Early Childhood Education (ECE) services in Southwest Sumba. The survey covered attitudes and experiences in school financial management and entrepreneurial activities as well as their institutions' circumstances.

The pre survey (2020) revealed that the respondents' minimal knowledge and low skills on school financial management are among the reasons that hinder the development of ECE services and quality. Among the 23 surveyed schools principals, teachers, and education personnel, only one person had received training in financial management, while three respondents had undergone entrepreneurship training. The lack of foundation and skills in both financial management and entrepreneurship affects how they manage their school finances and operations, and initiate innovations within their schools. For example, one principal mentioned that because they lacked relevant bookkeeping skills, the financial reports they produced were often unreliable. In addition, when asked about the competencies they aimed to develop, out of the 23 surveyed participants mentioned they needed to learn specific skills such as bookkeeping (eight respondents) how to effectively utilize school funds (nine respondents) how to write an accountability report (five respondents), and how to obtain additional income for their school (three respondents). This indicates that almost all the participants have barely acquired basic financial management skills and wanted to explore entrepreneurial activities.

The pre survey (2020) revealed that the respondents' minimal knowledge and low skills on school financial management are among the reasons that hinder the development of ECE services and quality.

This may also be the case in other regions as well, particularly among schools in which principals and education personnel do not have previous experience or training in managing school finances. A survey data obtained from the Association of ECE's Teachers and Teaching Personnel (*Himpunan Pendidik dan Tenaga Pendidikan Anak Usia Dini/HIMPAUDI*) in Semarang shows that approximately 95% of the surveyed ECE services' education personnel do not have any background on school financial management (Kinasih, Utomo & Kurniadi, 2019). Studies from various regions also show that some ECE Services have problems in applying proper accounting principles in their financial statements (Loen, 2019; Sari, 2021; Aisyah, 2018).

<sup>9</sup> Happy Hearts Indonesia is a non-profit organization focusing on rebuilding schools in the natural disaster prone areas in Indonesia. After the schools have been rebuilt, Happy Hearts Indonesia wants to equip the school administrators with skills to manage their schools independently.

<sup>10</sup> The surveyed teachers also work as a treasurer and administrative staff in the ECE Services.



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A capacity building training program was offered to ECE services' school principals in Southwest Sumba in order to empower them with the skills to effectively manage their finances with transparency and accountability. In addition, the capacity building training also aimed to introduce new tools and frameworks that would be useful for school administrators to seek funding beyond the scope of government assistance, including Education Operational Assistance for ECE (*Bantuan Operasional Penyelenggaraan Pendidikan Anak Usia Dini/ BOP PAUD*).<sup>11</sup>

In September and November 2021, five online training sessions on entrepreneurship and financial management were conducted over five weeks.

The participants of the capacity building training program also indicated that they hoped to gain more knowledge on how to manage their school funds and gain additional sources of revenue such as tuition fees from parents, donations or even through engaging in income-generating activities. This indicates that ECE's education personnel were aware of the need to develop these skills in order to find new sustainable ways to ensure the continuation of their schools' operations.

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<sup>11</sup> *Bantuan Operasional Penyelenggaraan (BOP) Pendidikan Anak Usia Dini (PAUD)* is a government assistance aiming at improving access to education for all Indonesians by relieving the cost of education in the ECE level.

## CURRENT SITUATION: EARLY CHILDHOOD EDUCATION SERVICE IN INDONESIA

Indonesia has focused on improving the quality of Early Childhood Education (ECE) in order to promote economic development for the future generations through increasing investment in this sector. Quality ECE is essential for the development of children's cognitive and social-emotional abilities, which contributes to their overall academic success and improves their prospects and opportunities in the long run (UNICEF, 2016). A holistic and high-quality ECE contributes greatly to closing inequalities on a macro level, including lowering poverty rates, enhancing health, education, and future income (UNICEF, 2020; Garcia et al., 2016). Furthermore, the World Bank (2019) reports that the return on investments in ECE ranges from \$6-17 for every additional dollar invested.

The Ministry of Education, Culture, Research, and Technology (MOECRT), particularly the ECE Directorate, has strived to assure the availability of ECE services, as well as improve its quality, especially in order to address the challenges and limitations faced during the COVID-19 pandemic. However, establishing an ECE service generally requires a significant financial investment, meanwhile Indonesia lacks fiscal capacity to establish and evenly spread public ECE services with adequate facilities across regions (MOECRT Policy Research Center, 2020). Given that ECE is not a part of compulsory education, it is not given the same priority as primary and secondary education and suffer from limited public financing particularly at the local government level (Denboba et al., 2015; Tedjawati, 2013; Arma, 2017; World Bank, 2020). The World Bank data (2020) shows that the budget allocated for Early Childhood Education and Development accounts for only 1.1 percent of total education budgets in 24 district governments in Indonesia. This number indicates that given the ECE sector is less prioritized despite the importance of early childhood development in the long run.

Consequently, Indonesia needs to rely heavily on private initiatives to increase the availability of ECE services. In the 2020/2021 school year, privately established ECEs accounts for 94.5% of the total registered ECE establishments, as shown in the Table 1 below:

**Table 1.**  
**Numbers of registered ECE services aggregated by ownership status**

Public ECE		Private ECE	
Central Government	Local Government	Foundation (Yayasan)	Other private entities
5,795	4,546	136,334	40,536
10,341		176,870	
187,221			

Source: (MOECRT, 2021)

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So far, the critical role of non-governmental organizations in providing access to ECE services is well recognized, yet little effort has been done to assist them in maintaining and improving their operations, and expanding their services to serve more children in the long run. In fact, during the pandemic, more than 15,000 ECE services were closed down due to the low enrollment (*ibid*). Several factors contributed to the decline in the ECE participation, such as parents' reluctance in enrolling their children to the ECE services due to the school from home policy as well as the economic crisis that made the services unaffordable for many families (Solekhah, 2020; UNICEF, 2021).

ECE services, especially those privately established and catering to low-income families (like the ones in Southwest Sumba), primarily rely on the BOP PAUD<sup>11</sup>. While it is stipulated in the National Education Law No. 20/2003 that schools income can be sourced from the central and local government, the society, as well as any income generating activities. The survey shows that these ECE services are almost fully dependent on BOP PAUD as they charge little to no tuition fees given that most parents come from poor households. In substitution for tuition, as much as 53% of the schools instead received in-kind payments such as food, building materials or volunteering services. This demonstrates that BOP PAUD is a crucial source of income for these ECE services to continue and sustain their operations, especially in times of a pandemic, when in-kind payments may not be needed during government-mandated campus closures.

“ While it is stipulated in the National Education Law No. 20/2003 that schools income can be sourced from the central and local government, the society, as well as any income generating activities. The survey shows that these ECE services are almost fully dependent on BOP PAUD as they charge little to no tuition fees given that most parents come from poor households. ”

Since the pandemic started in 2020, MOECRT adjusted the regulations regarding the use of BOP PAUD to accommodate the need of distance learning and health protocol enforcement. As stipulated in the MOECRT Regulation No. 20/2020 on Amendments to MOEC Regulation No. 13/2020 concerning Technical Guidelines for the Special Non-Physical Allocation Fund for BOP PAUD and Equality Education 2020, MOECRT has allowed ECE services to use BOP PAUD to purchase necessary items such as phone credit, mobile data and health protocol kits such as masks, soap, thermogun. BOP PAUD could also be used to pay for teachers salaries, which previously was not covered. In addition, in the new BOP PAUD Guidelines, ECE services are also given flexibility to spend the funds according to the expenses they deemed the most important based on their school needs' during the pandemic. Below are the comparison between budget items covered in BOP PAUD before and during the pandemic (Table 2):

**Table 2.**  
**Comparison of budget items covered in BOP PAUD before and during pandemic**

No.	Components	Covered Items	BOP PAUD 2019	BOP PAUD 2020
1.	Students' learning materials (e.g. Markers, crayon, drawing book, etc).	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	✓	✓
		Interactive toys ( <i>Alat Permainan Interaktif/APE</i> )	✓	✓
		Teaching materials	✓	✓
		Phone/internet subscription for teachers and students for distance learning purposes	-	✓
		Paid subscription of online education service	-	✓
2.	Supporting Activities	Supplementary feeding program	✓	✓
		Purchase of tools for detecting children's early growth and development and first aid medicine	✓	✓
		Parenting session	✓	✓
		Transport cost for teachers or procurement of administration book	✓	✓
3.	Other Activities	Facilities and infrastructures care	✓	✓
		PAUD publication materials (e.g. leaflet, booklet, poster, name board)	✓	✓
		Electricity, phone/internet, and water subscription	✓	✓
		Teachers' salaries (for non civil servant teachers only)	-	✓
		Health protocol equipment such as hand soap, disinfectant, mask, etc.	-	✓

Source: MOEC Regulation No. 4/2019; MOEC Regulation No. 20/2020

Per 2022, the government increased the amount of BOP PAUD from IDR 600,000/child/year to IDR 600,000 - IDR 1,200,000/child/year depending on the region in which they are situated (Cabinet Secretary of Indonesia, 2022).<sup>12</sup> The new provision is widely celebrated but it also comes with greater responsibility for the school principals to use and manage the funds effectively.

<sup>12</sup>The amount of BOP PAUD is determined by *Indeks Kemahalan Konstruksi (IKK)* which describes the cost of constructions in each region in Indonesia. The *IKK* differs across regions.

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## Limitations of BOP PAUD

While BOP PAUD provides a substantial advantage for ECE to finance their operations and help improve ECE accessibility to the society, there are some limitations that may cause difficulties for ECE Services' school principals and education personnel or motivate them to seek other funding sources elsewhere.

The first gap concerns the socialization of the BOP PAUD. Each Education Agency is expected to organize a technical guidance to socialize the BOP PAUD's latest regulation and teach ECE education personnel how to plan their BOP PAUD budget, use them effectively and prepare the BOP PAUD accountability reports (*Laporan Pertanggungjawaban/LPJ*). However, the technical guidance is oftentimes carried out inefficiently due to the lack of capacity and resources of the local government to organize the training (MOECRT's ECE Directorate Representative, 2022). Consequently, this leads to poor understanding of how to manage and use the BOP PAUD funds among school principals and education personnel. According to the same interview (2022), it revealed that there are ECE Services that have never read the technical guidelines on the use and management of BOP PAUD nor received proper socialization from the local Education Agency in some regions. This is consistent with the CIPS's survey, which revealed that only one respondent has received training on BOP PAUD.

In addition, BOP PAUD regulations change almost every year. For instance, in the recent development of BOP PAUD provision, the MOECRT has announced that every ECE Service will be required to use an online application called e-RKAS (*Aplikasi Rencana Kegiatan dan Anggaran Sekolah/Electronic School Planning and Budgeting System*)<sup>13</sup> to plan and report the use of BOP PAUD to improve efficiency and transparency starting from 2023 (MOECRT's Paudpedia, 2022). MOECRT's ECE Directorate Representatives (2022) mentioned that while this provision is stipulated to ease the burden of ECE education personnel in managing BOP PAUD, it may create another set of problems as many they are not yet familiar in utilizing computers or laptops, and many schools are not equipped with proper internet connections as well. It is estimated that approximately 19% of schools across Indonesia are not connected to the internet (Boston Consulting Group and International Telecommunication Union, 2021). This demonstrates the additional responsibilities for ECE's school principals and education personnel, as they must ensure that they are up to date with policy changes and that they develop the additional skills that are needed to comply with newest BOP PAUD regulations. This situation highlights the need for continuous and persistent socialization as well as guidance for schools to prevent any miscommunication and mismanagement of BOP PAUD, which many local governments are still lacking.

The use of BOP PAUD is strictly monitored by the local government. Any errors or violations in the use and reporting of BOP PAUD are subject to local government investigations. Many schools become subjects to local governments' investigation due to negligence, such as using funds to purchase products not permitted in the BOP PAUD guideline, incomplete reporting or even discrepancies between BOP PAUD expenditures and with RKAS that occurs every year in some

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<sup>13</sup> Before the electronic system, school activities and budget plan system was referred to as RKAS (*Rencana Kegiatan dan Anggaran Sekolah*).

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regions (Sulasmi, 2019; BPK Kalteng, 2018). This suggests that the current technical guidances held by the local government may be inadequate in equipping education personnel with knowledge and skills they need, further demonstrating the need to reform the implementation of the technical guidances or trainings on the BOP PAUD.

In addition, these training should also include other necessary skills beyond those related to the BOP PAUD management. The technical guidance is very specific to the use of BOP PAUD and does not cover topics that may empower school principals to improve their school financial management or entrepreneurship skills. Therefore, majority of school principals and ECE education personnel may have only developed skills pertaining to the use and management of BOP PAUD, rather than the necessary skills to conduct effective school financial management as a whole.

Furthermore, the ECE services' reliance on the BOP PAUD as their primary source of revenue has been unsustainable, especially given its misuse and breaches, such as late disbursement (Lalupanda, 2019), alleged fund cuts (Alhamidi, 2022), or even unlawful charges by regional government workers, has continued to occur (Sandi, 2022). As a result, funds distribution issues will disrupt the ECE operations. While the government has improved the BOP PAUD disbursement process in recent years to minimize the possibilities of misconduct, such as by simplifying the reporting process and transferring funds directly to schools' bank accounts (MOECRTb, 2021), ECE Services are still prone to financial instability if they only depend on the government assistance. Therefore, in this case, school administrators still need to be equipped with sufficient financial management and entrepreneurship competencies to perform their job, conduct financial management and even generate additional income sources aside from the BOP PAUD.

## CAPACITY BUILDING TRAINING: IMPLEMENTATION AND IMPACT

Box 1 summarizes the vision and mission of the participants in their training. Is it evident that prior to the capacity building training, the participating ECE's school principals and education personnel have experienced difficulties in applying the basic practices of financial management, such as bookkeeping and budget planning, within their school operations. The participants also revealed that they want to know how to conduct entrepreneurial activities to increase their revenue streams, in addition to the BOP PAUD.

“Is it evident that prior to the capacity building training, the participating ECE's school principals and education personnel have experienced difficulties in applying the basic practices of financial management, such as bookkeeping and budget planning, within their school operations. The participants also revealed that they want to know how to conduct entrepreneurial activities to increase their revenue streams, in addition to the BOP PAUD.”

**Box 1.**  
**Background of the ECE Services participating in the capacity building training**

ECE Services	School Vision and Mission for the next 3-5 years	Expectations of the training program
Kindergarten L	Obtain higher accreditation (B or A) and improve facilities. This ECE also aims to expand their services by opening kindergarten and primary schools in other neighboring regions	Learn financial reporting and administration, as well as budget planning and utilization
Playgroup K	Improve learning activities that have been impeded by the lack of budget. This ECE wants to engage in networking activities with other organizations to fundraise	Learn how to raise money for their schools
Playgroup H	Expand school services to accommodate students from other villages. This ECE also wants to improve its infrastructure (such as adding an office room), and hire more teachers	Improve the teacher's bookkeeping skills
Playgroup P	Improve the overall learning quality for their students	Learn how to raise money for their schools
Playgroup S	Improve the overall learning quality for their students	Learn how to establish business activities to gain more revenue for the school
Playgroup PR	Improve their kindergarten students' reading and writing competencies to prepare them to enter primary schools	Learn financial reporting and administration, as well as budget planning and utilization

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## Curriculum

In order to meet the expectations of the training participants, the trainers formulated two content curriculum for school financial management<sup>14</sup> and entrepreneurship.<sup>15</sup> Before the training started, the participants were asked to take a pre-test. The pre-test was launched to better understand the participants' pre-existing knowledge on the concept of the school financial management and entrepreneurship prior to the training. It served as a baseline that helped the trainer to rethink and adjust the training trajectory according to the participants' prior capacity. After all the courses ended, the participants were asked to complete a post-test to evaluate their understanding of the taught material, which further indicates the level of success of the overall training program. Two questionnaires at the end of each course were distributed to collect feedback from the participants for the trainer evaluation process.

## Training Methods and Tools

The training was delivered online due to the restrictions of in-person meetings during the Covid-19 pandemic. All of the participants were gathered in one location, accompanied by one local field officer and the trainer was connected virtually via a web conference platform. The attendees' laptops were also connected to the online conference, allowing them to participate in the questions and answers session easily. The lecture, on the other hand, was aired on a larger screen using a projector. The laptop was also used to complete their pre and post tests, as well as the exercises distributed.

The pedagogy method used in the training is a one-way lecture with frequent question and answer sessions to check in on the participants' understanding of the taught materials. Furthermore, through the Learning Management System (LMS) provided by the trainer, participants were able to access and download all reading materials as well as the slide presentations utilized throughout the training. Physical flashcards were also supplied to the participants to assist them in understanding the basics of accounting.

## Analysis on the Training Implementation

### Challenges

The online training sessions were deemed the best solution given the rise in positive cases of the Delta variant of COVID-19 at that time. However, this had an impact on how the trainer and participants communicated with one another.

Technical barriers are common during online training (Fehmi and YETKİN, 2011). During the online sessions, technical hurdles in Southwest Sumba such as unreliable internet connection, power outages, poor audio quality, as well as participants' low technological literacy frequently occurred, which disrupted the flow of the training.

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<sup>14</sup> See Appendix 1

<sup>15</sup> See Appendix 2



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There were some miscommunication that occurred as well, as there were instances in which participants were unable to understand the trainers' explanation, such as the accounting terms in the school financial management course. Therefore, the trainer was forced to repeat the explanation several times. Consequently, this disrupted the schedule of the training and negatively affected the participants' motivation and attentiveness due to the increased online training fatigue.

The online pedagogy with one-way lecture method limited the participants' opportunities to explore the materials. One participant mentioned that the one-way lecture lowered their attentiveness, and preferred a type of training that is organized in a more interactive and collaborative way. This type of training would also challenge the participants to directly apply the knowledge, in addition to checking in on their understanding through question and answer sessions. This is also confirmed by several reports that training with direct involvement from participants will increase their learning outcomes (Rahman & Masuwai, 2014).

Conducting the training using online pedagogies inherently demands participants to have at least a basic level of digital competency. However, one of the training exercises in the School Financial Management course required the participants to use Microsoft Excel. Unfortunately, this meant that in addition to the digital literacy and competencies, familiarity with Microsoft Excel played a key role in how quickly and effectively the participants were able to complete their tasks. Therefore, this may limit the participants' experience and opportunities to learn and explore the training to its full potential, particularly among those who have had low digital literacy prior to the training. For instance, one of the participants could not complete his exercise as he did not know how to fill in the Excel column with the appropriate numbers.

## Post-Training Learning Outcomes

### School Financial Management Training

Participants provided positive responses for having partake in the capacity building training as it helped them gain a better understanding of their individual ECE's financial circumstance and position, especially for those who do not have an accounting background. The participants found that the lessons on managing financial records and creating profit-loss statements<sup>16</sup> were the most useful for their schools. While schools in Indonesia do not generate profits,<sup>17</sup> financial statements such as profit-loss statements can be helpful in allowing non-profit organizations to assess their revenue and expenses, and thereby determine any surpluses that can be reinvested into their activities and operations, or as contingency funds for unexpected expenses.

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<sup>16</sup> Profit-loss statement is a type of financial statement that summarizes an organization's revenue, costs and expenses over a specific period of time to provide information on the organization's financial health. For-profit companies utilize the financial statements to calculate the difference between their revenue and expenses, which is called the net income (or profit). Non-profit organizations call this difference change in net assets (The Charity CFO, 2022)

<sup>17</sup> As stipulated in the National Education Law No. 20/2003 and further reiterated in the Job Creation Law No. 11/2020 education institutions in Indonesia must be registered as non-profit entities, meaning that the obtained revenues only go towards schools' operations and development.

However, in some cases, participants expressed that they were unable to apply the financial management concepts of business entities into their ECEs. For example, one participant stated that materials related to Audit and Control are too complex, foreign, and irrelevant to their school's circumstances. School principals have reported that a complete and detailed school financial management is expected to cover school self-evaluation (EDS),<sup>18</sup> school work plans (RKS) which include medium-term work plans (RKJM) and annual work plan (RKT)<sup>19</sup> and school activity and budget plans (RKAS) (Giyarni, Siswandari and Riani, 2021). This demonstrates the need for school leaders to undergo financial management capacity building that is specifically tailored for the needs of education institutions in Indonesia. While the key principles and practices of for-profit financial management can be useful for non-profit organizations, the training needs to remain relevant to the given context. This is especially consequential in order to ensure that the education personnels are able to adhere to the regulations.

The training pushed participants to develop and integrate critical financial management practices into the school's daily operations. From the post-training interviews with the participants, Participant A and Participant S mentioned that the most essential aspect that they learned from the School Financial Management course was the importance of developing the habit of bookkeeping. Previously, they admitted that they often neglect to record smaller revenues or expenditures which they deemed 'insignificant', however this often caused problems during the reporting process. Recording every transaction that occurs is very important to provide accurate data that will be compiled into a complete financial statement. Developing financial management skills pushes education personnels to be transparent about the school's financial health and spending activities, thereby increasing their accountability to the higher authority such as government and donor, or even parents and school committee (Nurindayati, 2013).

“Developing financial management skills pushes education personnels to be transparent about the school's financial health and spending activities, thereby increasing their accountability to the higher authority such as government and donor, or even parents and school committee.”

## Entrepreneurship Training

In addition to school financial management, the participants also received entrepreneurship sessions to complement the financial management training and help them further improve their financial sustainability. The objective of the training is to help the participants explore new ways to increase their schools' income, such as by organizing school fundraising activities, identify potential income sources from the government, identify potential income sources through networking with potential donors, as well as establish short-term and long-term income-generating activities such through business ventures. The schools were required to plan any entrepreneurship activity based on the resources available to them as well as their schools' strengths, weaknesses, opportunities and threats.<sup>20</sup> These ventures were then implemented with the guidance from help of the trainer.

<sup>18</sup> School Self-Evaluation (*Evaluasi Diri Sekolah/EDS*) is a require annual document created by schools to assess schools' achievement according to national quality standard. EDS is an important document that support the creation of School Work Plan.

<sup>19</sup> School Work Plan (*Rencana Kerja Sekolah/RKS*) is a guiding document prepared by schools to report all of their planned activities. RKS consists of four year work plans (*Rencana Kerja Jangka Menengah/RKJM*) and annual work plans (*Rencana Kerja Tahunan/RKT*).

<sup>20</sup> The ECE's strengths, weaknesses, opportunities and threats were evaluated using the SWOT analysis

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The entrepreneurship training focused on three modules:<sup>21</sup> The Business Model Canvas (BMC),<sup>22</sup> The SWOT Analysis,<sup>23</sup> and how to write a fundraising proposal to attract donors from outside organizations. Through these three materials, the trainer sought to equip the participants with the necessary and practical entrepreneurial skills. The purpose of this training also sought to empower the participants by developing an entrepreneurial mindset that actively fosters innovation, such as utilizing local resources to create a value-added commodity that they can sell to increase the schools' revenue.

From the entrepreneurship course, all of the participants decided to establish business units. One ECE sold various Indonesian traditional snacks to their local community, with the goal of accumulating enough revenue for pig farming. After two months, they were able to purchase two pigs which they raised in order to sell them to the local market to gain more profit that will be reinvested to finance school operations and development and for future ventures. In the future, this ECE aims to use this small business to increase engagements with parents by involving them in pig farming as a form of in-kind tuition.

Another ECE initially attempted to grow eggplants in their school's garden, but were unsuccessful due to weather conditions and the lack of support to maintain its vegetation. Using the SWOT analysis, the school leaders took notice of the abundance of banana trees in their school zone and decided to utilize this opportunity to cook and sell plantain chips. This new venture also complemented their school nutrition policy as it allowed them to provide healthier alternative snacks to their students.

In addition to gaining more knowledge and competencies on entrepreneurship, the participants were also eager to engage in collaboration with other stakeholders, particularly parents. In Indonesia, parents' involvement in their children's education, particularly in school administration and decision making, remains minimal and underappreciated (Safira, 2022). This was also demonstrated in the pre-survey result which shows that only one ECE Services reported active involvement of parents in their school operations in the form of BOP PAUD socialization. Parents are important stakeholders that can help improve the school quality by helping with the decision making process to improve school environment or even engaging in their children's development, activities and program (Van Vorhis et al., 2013; Epstein, 2009).

During the training, participants were encouraged to increase engagements with external stakeholders in the module on Identifying School Characteristics and Entrepreneurship Potential, as it would allow them to utilize and access more resources to carry out their entrepreneurial activities much more efficiently and effectively. Following the training, two ECEs out of five have engaged with parents to help with their entrepreneurial activities and one ECE has also expressed its interest in involving parents in their future programs.

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<sup>21</sup> See Appendix 2 for a breakdown of the module for entrepreneurship training

<sup>22</sup> A Business Model Canvas is a framework tool to develop a business model and map out business concepts and ideas

<sup>23</sup> A SWOT analysis is a tool to assess an organization's competition positioning based on their strengths, weaknesses, opportunities and threats. This tool helped the participants develop strategic and feasible entrepreneurship plan with considerations to the current and potential internal and external factors affecting the ECE

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The business strategies demonstrate that the ECE services have already applied the entrepreneurial values, such as assessing the kind of business that would be profitable in their local area, reaching out to parents to help with the school's entrepreneurial activities, and even having the entrepreneurial mindset of reinvesting to keep the business sustainable. The participants of the program have also reported that following the training, they have continued to work with each other to share their ideas and experiences. This demonstrates that capacity building training can also offer the opportunity for school leaders to create communities that foster support and knowledge sharing that may encourage them to continually innovate, seek new ways to sustain their school operations and learn from one another.

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## CONCLUSIONS

The presurvey and the capacity building training program demonstrated that the school principals and education personnel still need to develop and improve their school financial managerial and entrepreneurial skills to support and sustain their daily operations. This is especially important for low-cost private ECEs, as many schools principals in the pre-survey revealed that they had not received any prior training related to these two skills.

In the light of the government's increasing focus on boosting learning outcomes by improving teachers' pedagogical skills and school principals' capacity to supervise the learning activities, it is still important to simultaneously prioritize school financial management and entrepreneurship skills, starting at the school principal level.

The diverse schools characteristics and local context in Indonesia generate different challenges for each school, which means that school principals, teachers, and education personnel must adjust to changes while maintaining the expected performance levels in delivering education and service. Strengthening school financial management and entrepreneurship skills are necessary to help school principals and education personnel become agile and adaptable, and therefore thrive amid the ever-changing nature of education policy and development, especially with the increased school autonomy in recent years.

The MOECRT should place a strong focus on school financial management and entrepreneurship capacity building programs for school principals and administrators, in addition to pedagogical skills. This program can be organized by the newly constituted school principals, teachers, and education personnel development empowerment bodies, BBGP and BGP. The MOECRT must ensure that the local education agencies and the local BBGP and BGP organize this training on a regular basis, with an enhanced curriculum that corresponds to Indonesia's changing educational dynamics as well as school challenges. In addition to the program, it is also important that the local education agency to support and encourage school principals to be resourceful in solving their problems based on their circumstances and experiences.

School principals and education personnel need at least basic financial literacy skills for them to be able to perform their jobs accordingly. Financial literacy skills will help school principals lead and supervise education personnel in the budget planning process, utilization of school funds, and financial reporting. In addition, given the increased digital transformation in school management, school principals and staff in Indonesia may need to acquire a minimum level of digital literacy skills to appropriately adapt to their management and operational changes, such as to use online systems such as e-RKAS.

Being entrepreneurial is also an important quality for school principals, especially among low-cost private schools principals. With the current limitations in government assistance and insufficient income from low school fees, school principals and other education personnels may need to apply entrepreneurial principles to ensure stable revenue that will continually finance the schools' operations. The local education agency should facilitate the development of these

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skills by providing ECE with channels to pursue funding and help them to engage in networking with potential funders, such as through non-governmental or civil society organizations focusing on school development, private sectors, or even local figures.

In addition, an entrepreneurial mindset will be crucial to solve school challenges that may be unique from one another. Taking initiative, engaging in networking, building and fostering relationships between schools, parents, local figures, and the wider community in the area will increase a sense of ownership to the school, thus help improve students participation and learning outcomes.

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## INTERVIEW

Interview 1: MOECRT's Representative from Directorate General of Teachers and Teaching Personnel (2021). Personal communication.

Interview 2: MOECRT's Representative from Directorate of Early Childhood, Primary and Secondary Education (2021). Personal Communication.

# APPENDIX

## Appendix 1. School Financial Management Training Content

No.	Training Content
1.	<b>The Importance of School Financial Management</b> <i>The training began with explaining the importance of school financial management for the development of the ECE services.</i>
2.	<b>Identifying School Financial Resources</b> <i>The purpose of this section was to reflect on the ECE's existing sources of income and investment as well as identify other potential revenue streams they can consider to increase their income. This is not only important to improve their financial circumstances but also helps them in writing their financial statements.</i>
3.	<b>Identifying and Managing the Components of School Expenditure</b> <i>This section specifically focused on helping the participants identify the different types of accounts (such as assets, liabilities, income, expenses, and equity) relevant to ECE's context, This aimed to help treasurers keep track of their financial information.</i>
4.	<b>School Financial Recording and Reporting System</b> <i>This section provided practical knowledge on how to better record and write financial statements using the proper types of account that can be applied instantly in their ECE context.</i>
5.	<b>Supervision, Audit, and Control</b> <i>This section provided guidance for the ECE Services on how to do an internal audit to ensure accountability. This was also important for evaluating their finances to better reflect on the effectiveness of budget allocation and utilization in order to achieve the objectives as an education institution.</i>
6.	<b>Exercise</b> <i>The participants were asked to create a financial report of an organization using the given template</i>

**Appendix 2.**  
**Training Content on Entrepreneurship**

No.	Training Content
1.	<p><b>Understanding Entrepreneurship and Why Is It Important</b></p> <p><i>This section explained the importance of entrepreneurship, its relevance to the education context, and how entrepreneurship can sustain and improve school operations in the long run.</i></p>
2.	<p><b>Identifying School Characteristics and Entrepreneurship Potential</b></p> <p><i>This section introduced the schools' to the key concepts and tools such as the SWOT (Strength, Weakness, Opportunity, Threat) Analysis to help them assess their internal and external characteristics, as well as the Business Model Canvas (BMC), a tool to develop business concepts and ideas.</i></p>
3.	<p><b>Designing School's Business Model</b></p> <p><i>The participants were asked to assess their schools' internal and external characteristics using the SWOT Analysis and draft a Business Model Canvas to propose a business model and strategies that could be established in their school.</i></p>
4.	<p><b>Establishing Business and Partnership for School</b></p> <p><i>This section aimed to help the participants strategize their small business venture, such as by identifying the kind of products that could attract their consumers using Value Proposition Canvas.</i></p>
5.	<p><b>Exercise</b></p> <p><i>The participants were asked to create a business proposal that could be implemented in their school using the knowledge that they received from the training.</i></p>

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## ABOUT THE AUTHORS

**Nadia F. Azzahra** is a Researcher at Center for Indonesian Policy Studies. She is currently involved in research related to education. Previously, she was an intern in the Embassy of the Republic of Indonesia in Manila, Philippines. She also had experience working at Indonesia's education startup company. She is a graduate of Muhammadiyah University of Yogyakarta with a Bachelor's Degree in International Relations.

**Latasha Safira** received a Master of Science degree in International Social and Public Policy at the London School of Economics and a Bachelor of Arts in Psychology at the University of California, Berkeley. Her research centers around equitable access to education and social enterprises in the digital economy. Prior to joining CIPS, Latasha worked as a product researcher in the growth team of Indonesia's leading technology company Gojek.

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For more info, please contact [anthea.haryoko@cips-indonesia.org](mailto:anthea.haryoko@cips-indonesia.org).



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