

Higher Education Finance and Cost-Sharing in Indonesia

(Updated April 2010)

I. A Brief Description of Indonesia's Higher Education

Indonesia consists of 17,000 islands. It has a population of 240,271,522 (2009 est.) that comprises about 3,000 ethnic groups. The majority of the population is Muslim (86 percent). It gained its independence from the Netherlands in 1945, after 350 years of colonization. Bahasa Indonesia is its official language (CIA 2010).

With a gross national income per capita of US\$1,888 in 2008, Indonesia is considered a lower-middle-income country by the World Bank. Its unemployment in 2009 stood at 7.7 percent and its GDP grew by 4.5 percent. (CIA 2010)

Public expenditure

Indonesia's expenditure on education as a percentage of GDP is 3.8 percent as of 2007, which is lower than the 8.1 percent in Malaysia and the 4.6 percent in Thailand, but higher than the 3.1 percent in the Philippines. Its expenditure on education as a percentage of total expenditure, 16.9 percent, is similarly low compared to Malaysia (27 percent) and Thailand (27 percent) and lower than the 20 percent required by the Constitution. In 2007, its public expenditure on higher education as a percentage of the education budget was about 23 percent (Wicaksono and Friawan 2008).

Enrolment and equality

Higher education in Indonesia was started in the end of 19th century with the establishment of medical education for indigenous doctors in Jakarta. Since independence, higher education experienced dramatic growth. In 1950, there were only 10 institutions of higher learning, with a total of 6,500 students. By 1970, the higher education sector had grown to include 450 private and state institutions enrolling 237,000 students. Over the 1990-1996 period, total enrolment in public universities doubled, while enrolments in private universities rose by one third. (Quality Education for All Young People, 2004). In 1995, there were 853,000 students in 52 public universities, 1,450,000 in 1,228 private universities, and 279,000 in public and 68,000 in private Islamic institutions of higher education.

As of 2005, the higher education system in Indonesia was made up of approximately 2,300 higher education institutions including 86 public and 2,200 private higher education institutions with 3.5 million students (1.9 million of which were studying in private institutions) (Wicaksono and Friawan 2008). Nevertheless, the gross enrollment rate in tertiary education was only 12.16 percent indicating high inequality in access (Wicaksono and Friawan 2008). In fact, this inequity in access is highly correlated with region and income level. The enrolment rate in rural areas is less than half of that in urban areas. Only 3.3 percent of students from the lowest income quintile and 4.8 percent of students from the next lowest enroll in university, while 31 percent from the highest income quintile do (UNESCO 2006).

Institutions

The higher education sector in Indonesia is very diverse, with separate groups of institutions:

- Universities, both private and public, which are recognized by the Ministry of Education and Culture;
- Institutes and teacher training institutes (Institut Keguruan dan Ilmu Pendidikan or IKIPs) that rank as universities with full degree-granting status;
- Islamic institutes, which have the same rank as universities but come under the Ministry of Religious Affairs;
- Colleges (Sekolah Tinggi), both public and private, which offer academic and professional university-level education in one particular discipline;
- Single-faculty academies which offer Diploma/Certificate technician-level courses at public and private levels;
- Polytechnics, which are attached to universities and provide sub-degree junior technician training.

Stages of studies

There are three types of studies:

- Non-university level post-secondary studies (technical/vocational type):
- University level studies:
 - University level first stage: Sarjana (S1) is awarded after four years of full-time study at a recognized university, institute or school.
 - University level second stage: Magister (S2) is awarded after a further two years' study plus research.
 - University level third stage: Doktor (S3) takes another three to four years beyond the Magister. The Doktor degree is the highest award conferred by Indonesian universities or institutes.
- Teacher education:
 - Training of pre-primary and primary/basic school teachers: Primary school teachers are trained at IKIPs where they follow two-year courses leading to the award of a Diploma.
 - Training of secondary school teachers: Junior secondary school teachers are trained at post-secondary level in two-year programs at IKIPs leading to the award of a Diploma. Both Diplomas and Degrees are conferred to IKIP graduates.

Financing higher education

Currently the government support for higher education is provided for by the DIP (development budget) and DIK (routine budget) (Brodjonegoro, 2002). Public higher education is unique within public supported education in that it has much larger amounts of discretionary money accumulated from self-generated funds. Public universities or entities within a university have the ability to raise their own funds through a number of sources, including:

- Special fees, with students regularly charged additional costs beyond regular tuition.
- Special projects, frequently in conjunction with foreign universities.
- Publishing textbooks or student guide to textbooks.
- Contract research projects, often through a university or faculty-related research institute.
- Selling services of staff members.
- Teaching special courses off-budget at the diploma or graduate level.

University autonomy

In 1999, legislation was introduced in Indonesia that significantly increased the academic and financial autonomy of universities and formed the underpinnings of the Basic Framework for Higher Education Development, KPPTJP IV (2003-2010). Under this framework, four of the top public universities (serving as guides for other universities) were transformed from government service units reporting to the Ministry of Education to state-owned and autonomous legal entities (Badan Hukurn Milik Negara – BHMN) with their own boards of trustees.

As part of this autonomy, universities were allowed to collect tuition fees directly from the students and to set their own tuition fee levels (previously set by the central government). They were expected, however, to come up with institutional student financial assistance schemes and to work closely with the government to target various groups of disadvantaged students that should receive government scholarships covering living costs and tuition.

The 1999 legislation was annulled by the 2010 government regulation on education and management that was legally based on the 2008 Law on educational entities. Under this regulation, it was envisaged that the government would provide higher education institutions with half their required funding and the institutions would be responsible for raising the other half. The 2010 government regulation on education and management was annulled, in turn, by the Supreme Court in April 2010. The court based its annulment on the assertion that not all higher education institutions were equally able to raise funds. The government now has to design a new plan for university finances, but plans to retain the 2010 provision for greater university autonomy in the management of their finances (Jardine 2010; Maulia 2010).

Student financial assistance in Indonesia

The government works with higher education institutions to offer scholarships for academically qualified students in both the public and private sectors from families that cannot afford to pay for higher education. The government also offers merit scholarships, social safety net scholarships and scholarships for sports and cultural achievement.

While the government has not yet been successful in setting up a viable public student loan program¹, in 2006, the Sampoerna Foundation began a student loan scheme called the Student Financing facility (SFF), to be a joint venture with Bank International

¹ Its shortlived Kredit Mahasiswa Indonesia (Indonesian Student Loan) program introduced in the early 1980s was ultimately unsustainable given extremely high default.

Indonesia (BII) and the International Finance Corporation (IFC). The scheme provides non-collateralized loans for undergraduate and post graduate (masters and doctoral) students in educational institutions across Indonesia. The three partners—Bank International Indonesia, the International Finance Corporation, and the Sampoerna Foundation—contribute to the operations and share the risk, with BII managing lending and promotion, and the IFC monitoring, sharing its experience with private student loan schemes elsewhere in the world, and sharing some of the senior risk. The loan program provides means tested loans for tuition fees, paid directly to the institution (public or private), to be originated by the Bank International Indonesia, with repayment beginning at origination, and with no collateral or co-signatory requirement—albeit with bank discretion as to who may borrow, thus lowering risk though an element of risk rating. The remaining default risk is to be borne by the guarantee parties, with the First 30 percent loss to be shared by the participating universities and the Sampoerna Foundation, and the second 70 percent (the senior risk) to be shared by the bank and the IFC.

II. Estimated Expenses of Higher Education

Higher Education Expenses Borne by Parents and Students
First Degree, Academic Year 2009-2010
[National currency (Rupiah) converted to US\$
by 2005 World Bank ICP purchasing power parity estimate \$1 = Rp3,934]

		<i>Public</i>		<i>Private</i>
		<i>Low Public</i>	<i>High Public</i>	<i>High Private</i>
	Special "One-Time" or "Up Front" Fees	NA	NA	NA
<i>Instructional Expenses</i>	Tuition	IDR457,150 [\$116]	IDR4,570,000 [\$1,160]	IDR40,000,000 [\$10,168]
	Other Fees	NA	NA	NA
	Books & Other Educational Expenses	IDR900,000 [\$228]	IDR900,000 [\$228]	IDR900,000 [\$228]
	Subtotal Expenses of Instruction	IDR1,357,150 [\$345]	IDR5,470,000 [\$1,388]	IDR40,900,000 [\$10,397]
	<i>Student Living Expenses</i>	Lodging	IDR10,000,000 [\$2,542]	IDR10,000,000 [\$2,542]
Food		IDR9,000,000 [\$2,288]	IDR9,000,000 [\$2,288]	IDR9,000,000 [\$2,288]
Transportation		IDR400,000 [\$102]	IDR400,000 [\$102]	IDR400,000 [\$102]
Other Personal Expenses		IDR3,000,000 [\$763]	IDR3,000,000 [\$763]	IDR3,000,000 [\$763]
Subtotal Expenses of Student Living		IDR22,400,000 [\$5,694]	IDR22,400,000 [\$5,694]	IDR23,400,000 [\$5,948]
	Total Cost to Parent & Student	IDR23,757,150 [\$6,039]	IDR27,870,000 [\$7,084]	IDR64,300,000 [\$16,345]

Low Public: low public tuition, living at home with parents.

High Public: high public tuition, living "independent adult."

High Private: high private tuition, living in dormitory or shared apartment.

Source: Collected from websites of Indonesia universities, 2010

References

- Brodjonegoro, Satriyo Soemantri. (2002). *Higher Education Reform in Indonesia*. Ministry of National Education, Indonesia.
- CIA. (2010). *The World Factbook*, Accessed on April 27, 2010. Link: <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html>
- Clark, David & Hough, James & et al. (1998). *Financing of Education in Indonesia*. Asian Development Bank & Asian Comparative Education Research Center, University of Hong Kong. Manila, Philippines & Hong Kong, China.
- Djanali, Supeno (2005). *Current Update of Indonesia Higher Education*. Link: <http://www.rihed.seameo.org/NewsandEvents/current%20update/pindonesia.pdf>
- Jardine, David. (2010, April). Indonesia: Supreme Court Annuls University Autonomy Law. *University World News*.
- Maulia, Erwida. (2010, April 13). Govt to Retain Universities' Autonomy. The Jakarta Post. Accessed on 4/27/2010 from: <http://www.thejakartapost.com>
- Ministry of Education. (2003). *Basic Framework for Higher Education Development*, KPPTJP IV (2003-2010).
- Operations Evaluation Department (2005). *Higher Education Project (Loan 1253-INO) in Indonesia*. Asian Development Bank.
- Quality Education for All Young People (2004). *Indonesia country report*. Paper presented to the 47th International Conference on Education, Geneva, Switzerland.
- The UNESCO/OECD *Early Childhood Policy Review Project (2004)*. *The Background Report of Indonesia*. Prepared by the Directorate General of Out of School Education and Youth, The Ministry of National Education, Indonesia
- UNESCO. (2006). *Higher Education in South-East Asia*. Asia-Pacific Programme of Educational Innovation for Development. Bangkok: UNESCO Bangkok.
- UNESCO (2003). *Global Education Digest, 2003: Comparing Education Statistics across the World*. Institute for Education.
- World Bank (2004). *2004 World Development Indicators*. EFA Global Monitoring Report 2004/5.