



The Impact of Private Investment and Social Investment in the Education Sector in Indonesia

Leticya Sarung Allo^{1✉}, Friska Shinta Dame Hasibuan²

Universitas Kristen Indonesia, Indonesia^{1,2}

e-mail : leticyasarungallo@gmail.com¹, friskahasibuan76@gmail.com²

Abstrak

Investasi pada bidang pendidikan merupakan investasi terbesar dalam pembangunan suatu bangsa. Melalui pendidikan keterampilan dan kemampuan produksi tenaga kerja akan meningkat sehingga sangatlah jelas bahwa pembangunan pendidikan memiliki dampak yang sangat besar terhadap pembangunan bangsa. Namun, saat ini kualitas pendidikan di Indonesia belum merata karena belum meratanya pembangunan. Menyikapi hal tersebut, investor swasta memiliki peluang untuk berinvestasi pada bidang pendidikan dan melaksanakan penyelenggaraan pendidikan. Adapun penelitian ini bertujuan untuk mengkaji dampak dari hadirnya investor swasta dan investasi sosial dalam bidang pendidikan. Metode penelitian yang digunakan dalam penelitian ini adalah studi literatur dengan mengkaji berbagai sumber yang membahas investasi swasta, investasi sosial dan pendidikan. Ditemukan bahwa hadirnya investor swasta memiliki dampak positif terhadap peningkatan kualitas pendidikan, bertambahnya sumber daya finansial, inovasi pengembangan kurikulum bahkan dampak jangka panjang berupa pekerjaan dan kesehatan yang baik. Sayangnya kehadiran investor swasta juga memiliki dampak negatif yakni ketimpangan akses pendidikan. Masyarakat miskin sulit mendapatkan pendidikan di sekolah swasta yang relatif mahal. Untuk mengurangi dampak negatif tersebut, perusahaan-perusahaan melakukan CSR di bidang pendidikan, khususnya di daerah yang masih sangat membutuhkan pemerataan akses pendidikan. Penelitian ini bisa menjadi rujukan untuk mempertimbangkan kebijakan melibatkan investor swasta dalam membangun pendidikan di suatu daerah.

Kata Kunci: CSR, investasi, swasta, sektor pendidikan.

Abstract

Investment in the field of education stands as the foremost investment in a nation's development. Through education, the skills and productivity of the workforce are enhanced, highlighting the profound impact of educational development on national progress. Nevertheless, the current quality of education in Indonesia remains disparate due to uneven developmental efforts. In light of this situation, private investors are presented with an opportunity to invest in education and facilitate its administration. This research aims to scrutinize the impact of private investor presence and social investment in the educational domain. The research methodology employed is a literature review, examining various sources addressing private investment, social investment, and education. Findings reveal that the involvement of private investors yields positive effects, including enhanced educational quality, increased financial resources, curriculum development innovation, and long-term benefits such as improved employment and health outcomes. However, the presence of private investors also brings negative repercussions, notably in the form of educational access disparities. Impoverished communities face challenges in accessing education in relatively expensive private schools. To mitigate these adverse effects, companies engage in Corporate Social Responsibility (CSR) initiatives in education, particularly in regions where equal access to education remains crucial. This study serves as a reference for contemplating policies involving private investors in educational development within specific areas.

Keywords: CSR, education sector, investment, private.

Copyright (c) 2024 Leticya Sarung Allo, Friska Shinta Dame Hasibuan

✉ Corresponding author :

Email : leticyasarungallo@gmail.com

DOI : <https://doi.org/10.31004/edukatif.v6i1.6385>

ISSN 2656-8063 (Media Cetak)

ISSN 2656-8071 (Media Online)

INTRODUCTION

Investment in the field of education represents the most substantial investment in a nation's development. For a country aspiring to advance its populace, attention to the progress of the education sector is paramount. This necessitates the allocation of a considerable budget and capital investment in education through substantial budgetary allocations. Previously, there was a misconception that allocating funds to the education sector was tantamount to squandering resources, resulting in education budgets being treated as residual after other budgetary priorities were established (Irianto, 2017). National development in the realm of education significantly contributes to a country's economic growth by enhancing the skills and productivity of its workforce.

The current global population, which has reached eight billion, indicates an increasing demand for education. Audrey Azoulay (UNESCO, 2022), the Director-General of UNESCO, stated, "A new school year is starting in many parts of the world. This news should bring us joy, but it also reminds us that deep inequalities persist in access to education: 244 million children are still out of school. No one can accept this situation. Education is a right and we must do everything to ensure that this right is respected for every child." This highlights that the number of school-aged children continues to rise, with many lacking the opportunity to attend school. Various factors contribute to the high number of children without access to education, including the government's inability to meet these needs. The continually increasing demand for education cannot be fully met by the government alone; private entities have the opportunity to address unmet market demands and focus on investments with high social value (Tovaglieri, 2023).

Currently, the majority of education funding in Indonesia comes from the government. The government has mandatory spending for the provision of education. Mandatory spending is the minimum allocation in a development sector, usually regulated and determined by law (Kekry, 2022). In the Constitution of the Republic of Indonesia Year 1945, Article 31 paragraph 4, as amended in the Fourth Amendment, states that the State prioritizes education spending of at least twenty percent of the state revenue and expenditure budget and the regional revenue and expenditure budget to meet the needs of national education provision. As mandatory spending, local governments must allocate a minimum of 20% of the Regional Budget (APBD) for the education sector. With a significant allocation of the education budget, it is expected to lead to the renewal of national education development strategies. Educational renewal will create citizens as skilled and qualified human resources who are able and proactive in responding to the continuously changing challenges of the times.

Despite the significant allocation of education funding in Indonesia, the reality is that there are still numerous challenges faced. Various issues in the field of education occur in Indonesia, including in remote and underdeveloped areas known as 3-T (Frontier, Outermost, and Underdeveloped). An article by Yunus (2022) published in *suarasulsel.id* titled "*Fakta Guru Honorer di Toraja: Punya Gelar S2 Mengajar di Pelosok, Gaji Rp500 Ribu Per Bulan* - Facts about Honorary Teachers in Toraja: Holding a Master's Degree, Teaching in Remote Areas, with a Monthly Salary of Rp500,000" highlights that there are still educators in North Toraja who receive very low incomes. The honorarium they receive is considerably small compared to the North Toraja Regional Minimum Wage (UMR) of Rp. 3,165,876.00. Further analysis, as per the research conducted by Pundissing & Pagi (2022) in 2018, indicates that the amount managed by the North Toraja Education Office is Rp. 188,553,048,255.88, approximately 16.85% of the Regional Budget (APBD). This suggests that the North Toraja District Government has not yet utilized a minimum of 20% of the APBD funds for educational development in North Toraja. The North Toraja District Government needs to continuously assess the educational needs in the field to maximize the use of APBD funds for advancing education in the region. The North Toraja District Government can allocate education funds for personnel expenses to support the welfare of teachers in North Toraja, especially honorary teachers.

The research conducted by Rosmana et al., (2022) offers a solution to the issue of uneven sustainable education in 3T areas through the Sustainable Education Best Program (SEBsP). This program introduces several concepts, including curriculum, educators, learning models, human resource empowerment, infrastructure, and funding. This aligns with the findings of Hasanuddin et al., (2023), indicating that investment in education infrastructure and technology enhances the quality of education. Funding and infrastructure development are predominantly undertaken by private investors. The entry of private investors into education in a country undoubtedly impacts the dynamics of education in that nation. However, it is crucial to note that decisions to invest in this sector have broad implications for the environment, economy, and society (Debétaz, 2023). This underscores the importance of further understanding the impacts of private investment and social investment in the field of education, particularly in Indonesia.

METHOD

This research use a qualitative approach employing literature review methodology. Each source was obtained from books and internet searches, totaling 21 sources consisting of academic journals, books, online news, and educational websites from the period of 2013 to 2023 to provide a current overview of economics, investment, and education. One reference, the result of a congress from the Joint Economic Committee United States Congress, is also cited in this paper despite being published in 2000. This reference provides valuable insights into investment in the field of education. During the research phase, the researcher searched for and gathered relevant references, read, and studied them. The researcher determined suitable references related to investment, social investment, and its impacts in Indonesia. The final step involved drawing conclusions regarding the impacts of private investment in education and social investment in Indonesia.

DISCUSSION

Private Investment in the Education Sector

Investment is a prerequisite for the economic development of a country (Mulyaputri & Kartika, 2017). The primary goal of investment is to reap substantial benefits in the future (Winanto, 2019), and the same holds true in the field of education. Funding private education is indeed a growing business. Overall, educational investment demonstrates higher returns compared to several other sectors such as technology or some sub-sectors in healthcare. Most estimates indicate that the rate of return on education is comparable to the rate of return on physical capital investment (Saxton, 2000).

In investing in the education sector, it's important to consider the different dynamics of medium and long-term business prospects in this sector. Because the education sector has strategic long-term growth prospects, financial institutions are encouraged to reassess the product offerings from private entities in the field of education (Tovaglieri, 2023). Projects aimed at developing learning centers are often based on the desire to invest in a growing business with solid financial returns. Education is often a non-cyclical business that provides significant recurring income and stable cash flows.

Investments made in the field of education extend beyond mere financial contributions and can take various other forms directly. Impact investors utilize two methods for their investments. They either invest directly in schools, businesses, or technologies that provide education, or they invest through intermediaries that serve education providers. The choice depends on the investor's goals and the risks and impacts of the investment undertaken. In the education sector, the provision of education encompasses various inputs, including infrastructure, human resources, tools, technology, and support services (D. Capital Partners, 2013). Therefore, forms of educational investment can also include infrastructure, human resources, tools, technology, and other educational support services.

1. Investment in school infrastructure is the most common type of investment because building and improving schools seem intuitive, and the outcomes are easily measurable.
2. Investments in humans include student loan programs, vocational training, and teacher training. Models or organizations that present investment opportunities tend to be newer in developing countries, but as the market develops, deal opportunities will follow suit.
3. Investment in technology and service models includes the development of educational software, distance learning programs, and integrated management. This subsector has generated innovations that can reduce costs and improve quality in various public and private schools. Technology can be a highly promising arena for impact investors to sow innovations with cross-sector commercial potential, especially if they can be applied in large-volume markets.
4. Funding to build the education ecosystem involves providing support for activities or models that bolster capacity within the overall education system and help build a stronger education market. An example is school ranking programs that charge schools for assessment and fund research demonstrating the effectiveness of certain interventions. Due to limited return potential, most ecosystem development efforts are good candidates for grants.

Investments made in education, whether from private or non-private entities, clearly impact the education sector. Investment in education undoubtedly brings progress to the educational sector of a region. Where the population is better educated, there are generally fewer crimes, and there is also a positive correlation between increased education and a decrease in out-of-wedlock births (Saxton, 2000). It has been previously discussed that forms of private investment in education can also include infrastructure, human resources, tools, technology, and other educational support services. The impacts resulting from private investment can be both positive and negative. The positive impacts of private investors entering the education sector include:

1. Private investment can provide additional financial resources to educational institutions, which can be used to improve infrastructure, facilities, technology, and human resources. The influx of private investment can provide access to better resources for the population.
2. Private schools usually have different curriculum innovations and developments compared to public schools. The entry of private schools into a region provides an opportunity for public schools to improve and innovate in order to compete with existing private schools.
3. The influx of private investment also impacts Corporate Social Responsibility (CSR) programs. Every company is required to implement CSR in the field of education in the company's area, specifically, and in education in Indonesia in general (Wilda & Sunoko, 2020). The presence of CSR will further facilitate the development of the education sector in a region.

Other long-term impacts of private investment in the education sector include:

1. Better employment opportunities: Individuals with higher levels of education have better chances of securing good jobs compared to those who drop out of school or lack education.
2. Increased individual income: Individuals with higher levels of education are more likely to earn higher incomes due to better job opportunities.
3. Other impacts unrelated to income improvement, such as good health: Individuals with good education will have a better understanding of health values and strive to maintain good health (Saxton, 2000).

The negative impacts of private investors entering the education sector include the potential for the commercialization of education. Article 46, paragraph 1 of the Republic of Indonesia Law Number 20 of 2003 concerning the National Education System states that education funding is a shared responsibility between the Government, Regional Government, and the community. Article 55, paragraph 3 of Law No. 20 of 2003 concerning the National Education System also states the same, namely that community-based education funding can come from organizers, the community, government, regional government, and/or other sources

that are not contrary to applicable regulations. The opportunity for the commercialization of education may arise considering that education funding responsibility also lies with the community. Private schools may set higher service prices by offering curriculum adoption from foreign countries. This makes the community need to spend more on education.

The education sector is a crucial aspect of national development programs because it determines the socio-economic growth of a nation. Schult, as cited in Irianto (2017), states that the development of the education sector with a focus on human development directly contributes to a country's economic growth by enhancing the skills and competencies of the workforce. Therefore, investment in human resources demands equal access to education for every citizen. Although private investors can provide access to better education and resources, the cost of education managed by private investors can be prohibitively expensive. This renders some communities unable to afford schooling in private schools. Consequently, disparities in access and quality of education occur in a region between those who can afford schooling in private schools and those who cannot.

Apple, as cited in Nurlaily et al., (2021), states that issues arising in the provision of education that lead to unequal access to education stem from exclusivity. Furthermore, Nurlaily explains that the term social exclusion describes a condition of unequal access to education, especially for communities residing on the outskirts of cities. Zulfiqar (2020) mentions that social exclusion encompasses all forms of inequality, not only concerning unequal access to education but also regarding disparities in education quality, differences in the ability to obtain education, and discrepancies in government attention.

Social Investment in the Education Sector in Indonesia

Currently, businesses need to pay close attention to the environment because the health of a business is not only judged by the profit it generates but also by the responsibility of businesses towards the surrounding environment (Sa'adah & Azis, 2019). This social responsibility given by businesses is referred to as Corporate Social Responsibility (CSR). In Indonesia, CSR is explicitly regulated in Law No. 25 of 2007 concerning Investment, Article 15b, which states that every investor is obliged to carry out corporate social responsibility. Law No. 40 of 2007 concerning Limited Liability Companies, Chapter V, Article 74 also regulates the social and environmental responsibility of a company. Furthermore, Government Regulation No. 47 of 2012 concerning the Corporate Social and Environmental Responsibility of Limited Liability Companies. This clearly indicates that private entities have an obligation to carry out CSR. A company that demonstrates social responsibility will pay attention to the increase in company profits, society, and the environment (Sa'adah & Azis, 2019). A company cannot avoid the responsibility of implementing CSR. The disclosure of social responsibility in the form of CSR plays an important role in communicating the behavior of the company to society and the environment (Rukmana et al., 2020).

In the partnership between the government and companies, local governments expect CSR programs to help solve social issues such as health problems, poverty, unemployment, education issues, and housing. Additionally, they aim to address environmental issues faced by local governments. Private companies are required to assist local governments in supporting the regional development programs they implement (Fatmawatie, 2017).

In Indonesia, many companies are committed to conducting CSR and choose the education sector as their focus. One of them is PT Timah Tbk, located in the Bangka Belitung Province, which is the largest tin mining company in Indonesia. In the first semester of 2018, PT Timah Tbk allocated CSR funds amounting to 24.89 million to 269 partner institutions in the fields of education, agriculture, fisheries, plantations, livestock, and other businesses scattered across PT Timah Tbk's operational areas. Of this amount, 1.2 million was used for educational scholarships (Febiyani et al., 2020). Additionally, as reported by the Bangka Pos daily on July 13, 2018, a total of 32 outstanding students from disadvantaged backgrounds received full scholarships. This

program was temporarily halted in 2015 due to being deemed ineffective, but after evaluation in 2017, it was resumed. PT Timah Tbk continues to focus on the education sector, considering that mining resources will be depleted, necessitating the preparation of human resources capable of developing the region. This CSR initiative is considered to increase the interest of economically challenged children in continuing their education. In the Bangka Belitung Islands Province, the number of school dropouts is still relatively high. According to data from the Ministry of Education and Culture, the number of school dropouts in the Bangka Belitung Islands Province in 2018 was 394 students (Febiyan et al., 2020). Through the CSR program of PT Timah Tbk, it is hoped that the quality of education for economically disadvantaged children will continue to improve and contribute to reducing the dropout rate in the Bangka Belitung Islands Province.

PT Djarum, through the Djarum Foundation, also implements CSR in the education sector. The CSR program of the Djarum Foundation collaborates with the SMK NU Banat Kudus in the field of fashion design with the aim of not only creating female human resources engaged in home-based activities but also creating skilled, proficient, and professional human resources ready to work in various companies in the fashion industry or even create their own job opportunities (Wilda & Sunoko, 2020). The Djarum Foundation not only provides scholarships but also strives to continuously improve the quality of education by providing qualified teachers and a quality curriculum so that students can develop themselves and produce products similar to industrial production outputs.

PT. Internusa Jaya Sejahtera also channels CSR through education funds, which include providing materials for school construction and educational scholarships. PT. Internusa Jaya Sejahtera also focuses its CSR efforts on the education sector because it realizes the importance of human resources for improving the quality of life of society (Sa'adah & Azis, 2019). Through education, it is hoped that competent human resources will be created, ready to compete and advance the region and the nation.

Samsung Indonesia has established the Samsung Learning House, which is one of the programs aimed at helping teenagers aged 17-24 who are constrained by education costs. The Samsung Learning House has educated more than 2000 children and graduated more than 500 children through cooperation with various parties including: the Love for Children Foundation (YCAB), Social Homes for Children and Adolescents in Medan, Banjarmasin, and Makassar, as well as the Muhammadiyah Vocational High School (Wulandari et al., 2020). In this program, Samsung provides training in electronics for young people for 6 months or 1 year.

The CSR initiatives undertaken by PT Timah Tbk and PT Internusa Jaya Sejahtera are efforts to bridge the gap that arises in education. Disparities in access to education are gradually being reduced with the presence of CSR from companies that establish schools and provide scholarships in areas where the dropout rate is still high.

CONCLUSION

The presence of private investors in the field of education not only brings positive impacts but also negative ones. Private investors assist the government in providing good quality education through increased financial resources, curriculum development innovations, and long-term impacts such as improved employment and health. Unfortunately, the entry of private investors can also bring about disparities in educational access; private schools often have higher fees, making it difficult for students from poor families to access quality education. To mitigate these negative impacts, companies engage in Corporate Social Responsibility (CSR) initiatives in education, particularly in areas that still greatly need equal access to education.

REFERENCES

- D. Capital Partners. (2013). *Impact investing in education: An overview of the current landscape*. 59, 46.
- Debétaz, E. (2023). Impact Investing: Why invest in education? *EHL Hospitality Business School*. <https://hospitalityinsights.ehl.edu/impact-investing-why-invest-in-education>
- Fatmawatie, N. (2017). *Tanggung Jawab Sosial Perusahaan*. STAIN Kediri Press.
- Febiyan, D. A., Rusmana, A., & Muryanto, Y. (2020). Efektivitas Program Corporate Social Responsibility Pt Timah Dalam Meningkatkan Kualitas Pendidikan Anak Keluarga Miskin Di Asrama Kelas Beasiswa Bangka Belitung. *Jurnal Ilmiah Pekerjaan Sosial*, 19(1), 133–151.
- Hasanuddin, H., Isma, A., & Jamrizal, J. (2023). Pengaruh Sumber Daya Manusia, Pengeluaran, Operasional dan Investasi Terhadap Mutu Pendidikan pada Lembaga Pendidikan Islam. *Jurnal Manajemen Pendidikan Dan Ilmu Sosial*, 4(2), 616–624. <https://doi.org/10.38035/jmpis.v4i2.1586>
- Irianto, A. (2017). *Pendidikan sebagai Investasi dalam Pembangunan Suatu Bangsa*. Kencana.
- Kekry, B. P. N. (2022). Mandatory Spending of Education and Health Budget in Papua. *Jurnal Perencanaan Pembangunan: The Indonesian Journal of Development Planning*, 6(1), 54–63. <https://doi.org/10.36574/jpp.v6i1.268>
- Mulyaputri, I. G. A. K., & Kartika, I. N. (2017). PENGARUH INVESTASI SWASTA DAN TINGKAT PENDIDIKAN TERHADAP PENYERAPAN TENAGA KERJA DAN PERTUMBUHAN EKONOMI KABUPATEN/KOTA DI PROVINSI BALI. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*, 9(4), 935–962.
- Nurlaily, N. Y., Wicaksana, S. U., Irmawanto, R., Holisin, I., Hukum, F., Muhammadiyah, U., Universitas, F. T., Surabaya, M., Keguruan, F., & Universitas, P. (2021). Pemenuhan Akses Pendidikan Kepada Masyarakat Pinggiran Perkotaan : Studi Kasus SD Budi Yakin Surabaya. *Jurnal Dedikasi Hukum*, 1(2), 178–189.
- Pundissing, R., & Pagiu, C. (2022). ANALISIS LAPORAN KEUANGAN SEBAGAI DASAR DALAM MENILAI KINERJA KEUANGAN PADA DINAS PENDIDIKAN KABUPATEN TORAJA UTARA. *Jurnal Ilmiah Indonesia*, 7(4), 3891–3904.
- Rosmana, P. S., Iskandar, S., Fadilah, N., Azhar, N., Oktavini, D., & Munte, A. C. (2022). Upaya Pemerataan Pendidikan Berkelanjutan Di Daerah 3t. *Attadib: Journal of Elementary Education*, 6(2), 405–418.
- Rukmana, U. N. A., Akram, & Pituringsih, E. (2020). Prediktor Pengungkapan Corporate Social Responsibility Dan Pengaruhnya Terhadap Nilai Perusahaan. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 8(4), 156–167.
- Sa'adah, S., & Azis, E. (2019). Pengaruh Pemberian CSR Dana Pendidikan dari PT. Internusa Jaya Sejahtera Terhadap Peningkatan Kesejahteraan Masyarakat. *Jurnal Ilmu Manajemen Dan Bisnis*, 10(1), 43–50. <https://doi.org/10.17509/jimb.v10i1.15923>
- Saxton, J. (2000). Investment in Education : Private and Public Returns. *Joint Economic Committee*, 1–15.
- Tovaglieri, F. (2023). Invest in education: The best sector is higher education. *EHL Hospitality Business School*. <https://hospitalityinsights.ehl.edu/invest-education>
- UNESCO. (2022, September 1). 244M children won't start the new school year (UNESCO). *UNESCO*. <https://www.unesco.org/en/articles/244m-children-wont-start-new-school-year-unesco>
- Wilda, Y. A., & Sunoko, A. (2020). Implementasi Corporate Social Responsibility(CSR) dalam Meningkatkan Mutu Kualitas Pendidikan SMK NU Banat Kudus. *IBRIEZ : Jurnal Kependidikan Dasar Islam Berbasis Sains*, 5(2), 169–182. [file:///C:/Users/inside/Downloads/135-Article Text-347-1-10-20210130.pdf](file:///C:/Users/inside/Downloads/135-Article%20Text-347-1-10-20210130.pdf)
- Winanto, A. R. (2019). Investment, Labor and Their Effects on Economic Growth of Ponorogo Regency.

- 688 *The Impact of Private Investment and Social Investment in the Education Sector in Indonesia* - Leticya Sarung Allo, Friska Shinta Dame Hasibuan
DOI : <https://doi.org/10.31004/edukatif.v6i1.6385>
- Ekulibrium : Jurnal Ilmiah Bidang Ilmu Ekonomi*, 14(1), 68.
<https://doi.org/10.24269/ekulibrium.v14i1.1510>
- Wulandari, H., Habibah, N., Munawaroh, R. A. W., & Irfan, M. (2020). Corporate Social Responsibility (Csr) Pada Bidang Pendidikan: Pembelajaran Dari Perusahaan Samsung Penerima Penghargaan Best Award 2016. *Prosiding Penelitian Dan Pengabdian Kepada Masyarakat*, 7(1), 12.
<https://doi.org/10.24198/jppm.v7i1.28559>
- Yunus, M. (2022). Fakta Guru Honorer di Toraja: Punya Gelar S2 Mengajar di Pelosok, Gaji Rp500 Ribu Per Bulan. *Suarasulsel.Id*. <https://sulsel.suara.com/read/2022/06/07/125117/fakta-guru-honorer-di-toraja-punya-gelar-s2-mengajar-di-pelosok-gaji-rp500-ribu-per-bulan>
- Zulfiqar, Z. (2020). Determinants of Educational Exclusion of Children: A Study of Southern Punjab, Pakistan. *Sir Syed Journal of Education & Social Research*, 3(2), 91–98.