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The Effect of Budget Efficiency Policies on the Quality and Sustainability of Islamic Education in Indonesia: Challenges and Strategic Responses

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Abstract

The purpose of this study is to investigate the impact of government budget efficiency measures on the quality of Islamic education in Indonesia. As Islamic education plays a crucial role in the national education system—serving millions of students across Islamic boarding schools (pesantren) and madrasas—budgetary policies are likely to have significant consequences for educational outcomes, teacher welfare, infrastructure, and institutional sustainability. This research employs a qualitative literature review methodology, drawing on secondary sources such as scholarly publications, policy reports, recent academic articles, and digital media content, including YouTube and other social platforms. A descriptive analytical approach is utilized to assess the extent to which budget efficiency policies influence the quality of Islamic educational institutions. The findings indicate that budget reductions adversely affect teacher professional development initiatives, availability of educational facilities, and the overall welfare of teachers. Furthermore, diminished financial support has led to reduced access to essential educational resources for students in madrasas and pesantren. To address these challenges, the study recommends the implementation of alternative strategies, including strengthened governance mechanisms, increased collaboration with the private sector, and more transparent, targeted budget management practices. The study concludes with a call for further empirical research to deepen understanding of the long-term implications of budget efficiency measures on Islamic education in Indonesia.

Keywords: Budget Efficiency, Education Policy, Education Quality, Islamic Education

1. Introduction

The purpose of this article is to critically examine the budget reduction policies introduced by President Prabowo Subianto of the Republic of Indonesia through Presidential Instruction (Inpres) No. 1 of 2025 [1]. This directive mandates substantial fiscal adjustments, reflected in the reduction of IDR 8.03 trillion from the Ministry of Primary and Secondary Education and IDR 22.5 trillion from

the Ministry of Education, Science, and Technology [2]. The government has justified these cuts as efforts to enhance fiscal efficiency and reallocate funds toward strategic priority programs, including the Danantara initiative and the national free lunch program [3] [4]. However, this policy has sparked considerable controversy and public debate, particularly concerning its potential impact on the quality of Islamic education administered under the Ministry of Religious Affairs. Islamic educational institutions possess distinct characteristics and face different structural challenges compared to those overseen by the Ministry of Education and Culture [5]. Although the stated aim of the policy is to improve budget effectiveness and accountability, its implementation has raised significant concerns among scholars, practitioners, and the wider public regarding its implications for educational equity and institutional sustainability.

This controversy is particularly evident within the Islamic education system, which operates under the authority of the Ministry of Religious Affairs (MoRA). Given that over 87.2% of the Indonesian population identifies as Muslim, Islamic education constitutes a fundamental pillar of the national education framework, serving more than 10 million students across 86,608 institutions ranging from Islamic Kindergarten (RA) to Islamic Senior High Schools (MA) as of 2023 [6] [7] [8]. Despite its significant role, this system faces distinctive challenges compared to the general education system, particularly in relation to financial disparities. Although the national education budget has increased—from IDR 612.2 trillion in 2023 to IDR 660.8 trillion in 2024 [9], —the allocation of additional funds has not been equitably distributed to Islamic schools. Substantial evidence indicates that funding for Islamic institutions remains considerably lower than that allocated to public institutions, thereby exacerbating quality disparities and contributing to chronic issues such as insufficient financial resources, inadequate facilities, and shortages of qualified teachers [10]. As a result, Islamic schools with limited funding face significant obstacles in curriculum development, infrastructure maintenance, and the enhancement of overall educational quality.

To analyze this issue, this study is grounded in several theoretical perspectives. Education Funding Theory by Cooley [11] provides the basis for understanding how financial inputs affect educational outputs, highlighting the connection between funding levels and the capacity of institutions to deliver quality services. This is complemented by Human Capital Theory by Becker and Schultz [12] [13], which posits that public investment in education, especially teacher training and quality facilities, is critical for boosting the productivity and economic value of the population. Finally, the Public Policy Implementation Framework [14] offers a lens to evaluate the effectiveness and consequences of the Inpres No. 1/2025 policy as it is translated into operational practices within the education sector, specifically identifying potential discrepancies between the policy’s intent (efficiency) and its outcomes (quality impact). Previous scholarly investigations have addressed multiple dimensions of educational budgeting, including: (1) the formulation, implementation, and analysis of Indonesia’s education funding policies [15]; 2) persistent challenges in educational financing, particularly debates concerning regulatory frameworks and implementation mechanisms [16]; 3) the importance of efficiency analysis [17]; 4) the urgency of education costs in connection to the quality of Islamic education in Indonesia [18]; and 5) Studies on government policies pertaining to the Financing Standards for Islamic Religious Education [19]. Although these studies contribute valuable insights, significant gaps remain—particularly in light of Presidential Instruction No. 1 of 2025, a newly introduced policy that has yet to be comprehensively examined. A comparative summary of the existing literature is presented in Table 1.

Table 1. The existing literature

Author (s), Year	Focus of Study	Theoretical dressed by Study	Gap by Previous	Ad- Study	Relevance to	Current
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M. S. A. F. Santoso, 2021	Creation, execution, and analysis of Indonesia's general education funding policies	Lack of comprehensive evaluation of the existing national funding framework	Provides historical and operational context of Indonesia's education budget management
J. Juanda, 2021	Problems with Indonesia's education funding, focusing on varying opinions over execution and regulation.	Conflicts and regulatory inconsistencies in budget implementation	Highlights the existing controversy and challenges in funding distribution that Islamic schools already face
K. De Witte, 2025	The importance of efficiency analysis in public spending.	Need for methods to measure and ensure effective use of public funds.	Supports the government's rationale (efficiency) for the Inpres, providing a framework for analyzing its success.
E. Warmanto, 2024	Urgency of education costs in relation to the quality of Islamic education.	The specific financial needs and quality deficits unique to Islamic schools.	Establishes the direct link between finance and quality in the Islamic education sub-sector, supporting the research problem
E. Febriani, 2023	Studies on government policies pertaining to the Financing Standards for Islamic Religious Education.	Lack of clarity or impact assessment of standards specifically for MoRA institutions	Provides policy details and benchmarks for financial standards relevant to Islamic institutions.

In response to this research gap, the present study aims to address the following research questions:

1. What are the implications of the budget efficiency policy (Presidential Instruction No. 1/2025) on the quality of Islamic education in Indonesia?
2. What strategic measures are necessary to improve the quality of Islamic education in light of the budget efficiency directives?

These questions are structured to explore the critical relationship between financial resource allocation and educational outcomes within Islamic educational institutions, as well as to identify practical, evidence-based strategies for quality enhancement despite fiscal constraints. Ultimately, the findings of this study are expected to provide valuable insights for policymakers and stakeholders, thereby supporting informed decision-making processes to strengthen the Islamic education system in Indonesia.

2. Methods

This study employs a descriptive qualitative research design with a focus on literature-based analysis. This approach was selected as it facilitates a comprehensive and in-depth examination of the implications of the new public policy, Presidential Instruction (Inpres) No. 1 of 2025, without necessitating the collection of primary data. Through the systematic synthesis of existing literature, this methodology provides a rigorous foundation for policy analysis and theoretical exploration.

2.1 Data Sources

All data used in this study are derived exclusively from secondary sources and documentary evidence. These include a wide range of credible online publications and institutional reports, ensuring a holistic understanding of the policy's context, implementation framework, and associated discourses. The specific data sources include:

1. **Scholarly and Official Documents:** Peer-reviewed publications, academic journals, official government websites, and policy papers directly pertaining to Presidential Instruction No. 1 Year 2025 [1, 15, 16].
2. **News Media and Policy Analyses:** Comprehensive reports and analyses from credible news portals and expert policy organizations [2, 3, 4].
3. **Multimedia Content:** Public discussions, seminars, presentations, and expert commentary disseminated through video platforms [20, 21], which reflect the academic and public discourse surrounding the Presidential Instruction.

2.2 Data Collection Procedures

A number of strategic procedures were taken to ensure that the data collected for this study were correct, pertinent, and thorough:

1. **Systematic Search Strategy:** Researchers searched a number of internet resources, such as scholarly journals, news portals, and official government websites. This step focused on gathering comprehensive details about Presidential Instruction No. 1 Year 2025, including its goals, history, and effects on Islamic education [5, 9].
2. **Targeted Multimedia Review:** Researchers specifically looked through video sites like YouTube in order to locate expert discussions, seminars, and presentations about the Presidential Instruction. This step was crucial for incorporating the opinions of education specialists and policy analysts, which provided further information about how the public and academics perceived the policy [22, 23].

2.3 Data Analysis

This study employs a qualitative descriptive analysis approach. The primary aim of this analysis is to synthesize and interpret textual and visual data obtained from multiple sources in order to examine the impact of budget efficiency policies on specific educational dimensions. The analysis focuses on the policy's influence on educational infrastructure, teacher welfare, and instructional standards in madrasahs and other Islamic educational institutions [10, 18, 19]. Findings derived from diverse data sources will be triangulated and integrated to present a comprehensive and holistic understanding of the policy's implications.

2.4 Validity and Reliability

As this study is based on a literature review, validity and reliability are ensured through the following strategies:

1. **Source Triangulation:** Findings from various types of sources—including official documents, academic journals, and expert commentaries from media platforms—are systematically compared to verify consistency and minimize potential bias associated with any single source [24, 25].
2. **Data Credibility:** Only authoritative and relevant sources, such as peer-reviewed scholarly publications and official government documents, are included to ensure the credibility and accuracy of the evidence presented [11, 17].
3. **Analytical Consistency:** The descriptive analytical process is rigorously documented, and all interpretations are explicitly grounded in the original source material to maintain the reliability and transparency of the findings [14, 26].

3. Results and Discussion

3.1 Results

3.1.1 Implications of Budget Efficiency Policy on the Quality of Islamic Education in Indonesia

1. Rationalization of Educational Expenditure in Islamic Institutions

The budget efficiency policy, formalized through Presidential Instruction (Inpres) No. 1 of 2025, is fundamentally driven by the goal of optimizing resource utilization. Efficiency, defined as the precision of completing a task without squandering money, time, or effort [27], reflects productivity in resource use [26]. President Prabowo Subianto emphasized that the policy aims to enable more focused and efficient utilization of funds, redirecting savings from non-essential spending to high-priority initiatives [22]. As illustrated in Table 2, the cuts target non-core expenditure items, such as Office stationery (90% cut), Ceremonial activities (56.9% cut), and Official travel (53.9% cut). The redirected funds are intended to support priority programs, including school renovation and the construction of integrated flagship schools (Figure 1).

Table 2. List of Expenditure Items Cut in Prabowo's Efficiency Program

Expenditure Items	Cut Size
Office stationery	90%
Ceremonial activities	56,9%
Meetings, seminars and the like	45%
Assessment and analysis	51,5%
Training and technical assistance	29%
Activity output honorarium and professional services	40%
Printing and souvenirs	75,9%
Building, vehicle and equipment rental	73,3%
Application License	21,6%
Consultant services	45,7%
Government assistance	16,7%
Maintenance and care	10,2%
Official travel	53,9%
Equipment and machinery	28%
Infrastructure	34,3%
Other expenditure	59,1%

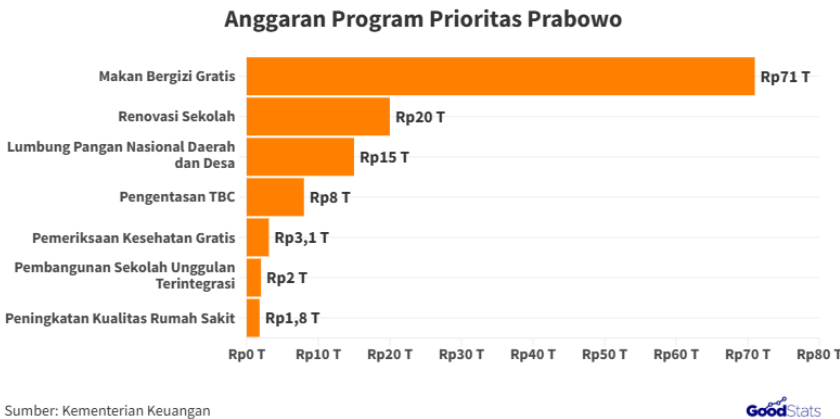


Figure 1. Prabowo's Priority Program Budget

Based on the data presented in Figure 1, the education sector is prioritized through programs focused on school renovation and the development of integrated flagship schools. On one hand,

budget efficiency policies may enhance resource management and ensure optimal allocation of available funds. On the other hand, these policies exert a substantial impact on the education sector, particularly Islamic education, which falls under the jurisdiction of the Ministry of Religious Affairs. This sector has historically appeared to receive differential treatment in terms of state budget allocation compared to other educational institutions.

2. Direct Fiscal Impact on the Ministry of Religious Affairs (MoRA)

The budget efficiency policy resulted in a request for Rp14.28 trillion in budget cuts from the Ministry of Religious Affairs (MoRA), representing an 18.10% reduction of its total budget (Table 3). This places MoRA's cut percentage among the highest in the social sector, only less than the Ministry of Transportation (56.80%) and the Ministry of Higher Education, Science and Technology (39.08%).

Table 3. Budget Size Data for 10 Ministries in 2025

Ministry/Institution	Budget (Rp T)	Cuts (%)
Ministry of Defense	166,3	0%
Indonesian National Police	126,6	0%
Ministry of Public Works	111	73,3%
Ministry of Health	105,6	18,50%
Ministry of Social Affairs	79,6	1,60%
Ministry of Religious Affairs	78,6	18,10%
Ministry of Higher Education, Science and Technology	57,7	39,08%
Ministry of Finance	53,2	23,20%
Ministry of Primary and Secondary Education	33,5	23,90%
Ministry of Transportation	31,5	56,80%

Minister of Religious Affairs, Nasaruddin Umar, confirmed that this significant reduction will impact numerous essential projects, particularly in the education sphere. Specifically affected are government aid programs, including Teacher Professional Education (PPG), State University Operational Assistance (BOPTN), School Operational Assistance (BOS), and various student and teacher scholarships [28]. These cuts inevitably affect the provision of educational facilities, the completion of madrasa renovation, and the development of teacher and lecturer abilities [29] [20].

3. Risks versus Opportunities

The implications of the budget efficiency policy on Islamic education present a complex dichotomy of potential benefits (opportunities) and serious risks (negative implications), as detailed in Table 4.

Table 4. Potential Negative and Positive Implication from Budget Efficiency

Potential Negative Implications (Risks)	Potential Positive Implications (Opportunities)
Risk of reducing educator welfare (non-PNS), delaying recruitment [22].	Reallocation of funds to priority programs [23].
Affecting scholarship programs (KIP-K) crucial for breaking the poverty cycle [23].	Compelling institutions to strengthen transparency and accountability in fund management [30].
Cuts to operational budgets (BOS funds) for state-run madrasah [31].	Pushing institutions toward innovation and seeking alternative funding sources (like zakat, infaq, and waqf)

The chief risk is that decreased financial resources will make it more difficult to provide suitable educational facilities, delay madrasa restoration, and restrict access to initiatives aimed at enhancing teacher proficiency, potentially lowering the standard of instruction [32]. Conversely, the opportunity lies in compelling institutions to adopt more efficient, transparent, and innovative financial practices.

4. Strategic Solutions to Improve the Quality of Islamic Education after the Impact of Budget Efficiency

To mitigate the negative effects of the budget efficiency policy and ensure the quality and long-term viability of Islamic education, strategic measures must be adopted, focusing on innovative financial management, collaboration, and governance reform.

(a) Reorienting Program Focus and Budgetary Precision

The Ministry of Religious Affairs (MoRA) has responded with eight priority programs (Asta Protas Kemenag Berdampak) [33], focusing on realizing superior, friendly, and integrated education, and empowering pesantren. To align the budget with this vision, the following strategic shifts are necessary:

- i. **Improve Targeting Accuracy:** As detailed in Table 4, programs like the KIP Tuition assistance must reform their data collection and distribution systems to ensure assistance reaches students from disadvantaged families with high academic potential.
- ii. **Shift from Consumptive to Productive Assistance:** Budget allocations must be directed toward skills training, entrepreneurship, and strengthening character based on Islamic values, rather than relying heavily on consumptive aid like free lunch programs, aligning with the vision of shaping competitive human resources [34].

(b) Strengthening Non-APBN Funding and Research

To compensate for budget constraints, MoRA must actively seek alternative funding and investment in innovation:

- i. **Corporate Sector Alliances:** Growing alliances with the commercial sector can provide financial assistance for new facilities, scholarships, and teacher training. Strong collaboration maintains access and quality despite financial limitations.
- ii. **Prioritizing Research:** Budgetary strategies must give high importance to research in Islamic education. Allocating more funding for research will enable madrasahs and Islamic institutions to become hubs for curriculum innovation and efficient teaching strategies, consistent with President Prabowo's vision of prioritizing the quality of human resources [21].

(c) Governance Efficiency and Internal Reform

Efficiency must also be implemented internally within the Ministry of Religious Affairs (Mo - RA) bureaucracy, in accordance with the Circular Letter of the Secretary General of the Ministry of Religious Affairs Number SE.12 of 2025 [21]. This initiative includes the reduction of position redundancies arising from overlapping functions and the rationalization of excessive remuneration for officials, as illustrated in Table 5. The reallocation of these funds is intended to support teacher welfare and more productive educational programs, thereby strengthening governance efficiency and accountability. Through these strategically targeted budgetary policies and internal reforms, the quality of Islamic education in Indonesia can be substantially enhanced, positioning madrasahs and pesantren to become more globally competitive while preserving their essential role in character and moral development.

Table 5. Aspects of Problems and Strategic Solutions in Improving the Quality of Islamic Education

Aspects	Problems	Strategic Solutions
Targeting Accuracy	KIP Tuition assistance has not been fully targeted	Reform the data collection and distribution system so that assistance is received by students who really need it
Islamic Education Orientation	Focus on consumptive assistance such as free lunches	Direct the budget to skills training and entrepreneurship for madrasa students
Improved Education Research	Lack of funding allocation for Islamic education research	Increase research budget for innovation in learning methods and curriculum development
National Development Focus	Previously focused more on infrastructure	Prioritize improving the quality of human resources according to President Prabowo's vision
Governance Efficiency	There are positions with similar tasks in the Ministry	Reduce duplication of positions to optimize performance, automatically reducing opportunities for corruption
Budget Management	Excessive salaries of officials reduce budget efficiency	Cut excess salaries and redirect funds to teacher welfare and more productive education programs

3.2 Discussion

3.2.1 Analyze Implications of Budget Efficiency Policy

The documented disparity in funding—resulting in inadequate facilities and shortages of qualified teachers in Islamic educational institutions [10], —substantiates the core assumption of Education Funding Theory: that declines in financial investment are directly correlated with reduced educational outcomes. The 18.10% budget reduction allocated to the Ministry of Religious Affairs (MoRA) intensifies this existing disparity and poses an imminent threat to instructional quality. These findings are consistent with the theoretical propositions of Education Funding Theory [11].

Moreover, the adverse effects on Teacher Professional Education (PPG) and scholarship programs present a direct challenge to the foundational principles of Human Capital Theory [12], which posits that investment in education—particularly in the professional development of educators—is essential for enhancing both productivity and societal value. Reductions in funding for PPG and scholarship initiatives, which serve as critical mechanisms for breaking the cycle of poverty [23] and maintaining teacher quality, undermine the long-term strategic objective of cultivating high-caliber human resources—a stated priority of the Prabowo administration. This result is further corroborated by Supriyadi's (2020) findings, which demonstrate that budget cuts affecting teacher training and teaching materials have a detrimental impact on the learning processes within madrasahs.

In the field of education, education policy is a part of public policy [35]. As stated by Mark Olsen and Anne-Marie O'Neill (quoted in Suryanef), a nation's competitiveness [36] and even sustainability [37] in the international arena are greatly influenced by its educational policies. According to Romane Viennet and Beatriz Pont, if stakeholders and policymakers work together to implement education policy, it will produce positive outcomes [24]. The outlines budget and policy recommendations for higher education, emphasizing the need for increased funding to support vulnerable students, adapt to changing workforce demands, and promote equity [38]. It highlights the importance of addressing financial aid and operational reviews to improve access to and completion of education. As a result, attaining national excellence depends heavily on education policy.

In the context of Islamic education policy, it is vital to refer to the opinions of notable thinkers such as Syed Muhammad Naquib al-Attas, who highlighted the need of delivering high-quality and relevant Islamic education [39]. Al-Attas maintained that Islamic education should produce people with strong moral principles in addition to knowledge. He emphasized that in order for Islamic educational institutions to endure and not be viewed by the general public as a backup alternative,

Islamic education must be preserved and enhanced in all spheres, including policy, funding, and infrastructure. This emphasizes the need for immediate funding and resources to support students and address long-standing equity issues in education [40].

Law No. 20 of 2003 on the National Education System is a key piece of legislation that forms the basis of Indonesia's Islamic education policy [41]. This law establishes a legal foundation for the advancement and administration of Islamic education while acknowledging the existence of madrasahs and pesantrens as essential components of the national educational system. As educational establishments with strong roots in Indonesian society, madrasahs and pesantrens should be given government attention and material support, according to a declaration released on December 27, 1945 by the Central Indonesian National Committee Working Body (BPKNIP) [42]. It was anticipated that this policy would raise the standard of Islamic education and guarantee that the government would provide these institutions with sufficient financial and policy assistance.

It is impossible to isolate Indonesia's Islamic education policy from the larger social and political landscape. Through a number of programs and initiatives, such as improving teacher quality, creating pertinent curricula, and providing suitable educational facilities, the government has worked to raise the standard of Islamic education in recent years. But there are still issues, especially with regard to budgetary allocation and support, which frequently do not match the true requirements of Islamic educational institutions.

As a result, the Ministry of Religious Affairs alone cannot maintain and enhance Islamic education in Indonesia; rather, all relevant parties, including communities, educational institutions, and the government, must actively participate. Islamic education can only develop further and contribute significantly to society and the country by taking a comprehensive and cooperative approach. This strategy seeks to guarantee that Islamic education significantly contributes to the development of the young generation's moral principles and character while also equipping them to handle the difficulties posed by globalization. Apart from that, human resource development is also an important element that is the focus of government duties. Thus, it is the duty of the government to guarantee the delivery of high-quality education. The central and regional governments must offer services, facilities, and guarantee of high-quality education for all citizens without discrimination in line with Law Number 20 of 2003 on the National Education System.

Law No. 20/2003's Article 49, Paragraph 1 provides a more thorough explanation of the provisions pertaining to the budgetary distribution for education. According to the article, at least 20% of the State Budget (APBN) and at least 20% of the Regional Budget (APBD) must go toward education funding, excluding official educational expenses and teacher salaries [15]. The Ministry of Education and Culture (MoEC) oversees school education, while the Ministry of Religious Affairs (MoRA) is in charge of madrasah and religious education. These two major subsystems make up Indonesia's educational system. Public schools and madrasahs are required to be treated equally in all respects by Indonesian laws and regulations.

It is well known that madrasahs typically have insufficient resources to offer high-quality instruction. Funding for private madrasahs is even less than that for public schools [43]. Madrasah Ibtidaiyah, Madrasah Tsanawiyah, and Madrasah Aliyah are among the madrasah schools run by the Ministry of Religious Affairs. Unlike schools under the Ministry of Education and Culture, whose education costs are transferred to district/city governments because they are not included in the vertical agencies, the Ministry of Religious Affairs still has a centralized budget management system [44].

As it relates to promoting religious life that does not entirely center on the educational side, this is because Islamic education programs are not permitted under the autonomized or decentralized system [43]. Madrasahs are therefore in a unique situation because, unlike other schools, their administration is still under the control of the central government [44]. Due to these circumstances,

madrasahs remain an exception within the current era of educational decentralization. Baroudi recommends the allocation of budgetary resources to provide essential support for students, particularly those in disadvantaged areas, through the implementation of internal training programs for school administrators [25].

3.2.2 Policy Implementation and the Unique Status of Islamic Education

Islamic education, primarily serves to mold people who are loyal to Allah and assist them in achieving a good life in this life as well as the next [45]. Therefore, education aims to inculcate piety and noble character in addition to improving cognitive intelligence. Based on a theocentric framework, Islamic education seeks to create Muslims who share Islamic principles [46]. Islam is therefore essential to creating a better Indonesian society in line with Pancasila, the country's concept and ideology.

The integration of madrasahs into the National Education System, more especially, the removal of the distinction between secular (general) and religious knowledge, remains a significant obstacle to Islamic education in Indonesia, despite its crucial importance [47]. It is best to think of knowledge as a single, cohesive thing that has changed over time. Every human culture, including Islamic civilization, has made important contributions, as evidenced by the historical growth of knowledge [48].

The unique institutions and structure of Indonesian Islamic education work to spread Islamic teachings and mold the values and character of the next generation [49]. Madrasahs and pesantrens (Islamic boarding schools) are the two primary establishments that serve as the foundation of Islamic education in Indonesia. The Ministry of Religious Affairs of the Republic of Indonesia oversees both and is in charge of promoting and regulating Islamic education across the nation.

First, Islamic education is offered via madrasahs, which are official educational establishments that combine general education with religious studies [50]. The three levels of madrasahs are Madrasah Aliyah (MA) for senior high school, Madrasah Tsanawiyah (MTs) for junior high school, and Madrasah Ibtidaiyah (MI) for basic education [51]. Millions of students are served by more than 30,000 madrasahs located throughout Indonesia, according to data from the Ministry of Religious Affairs. The Minister of Religious Affairs Regulation (PMA), which establishes the curriculum, educational requirements, and accreditation for madrasahs, is one of the regulations that oversee the education policy for these institutions [52]. In addition to offering a solid religious education, the aim is to help madrasahs develop well-rounded people who are equipped to handle the difficulties of the contemporary world.

Second, Islamic boarding schools, or pondok pesantren, offer instruction that emphasizes both material and metaphysical elements [53]. Pesantrens place a strong emphasis on studying medieval experts' kitab kuning (classical Islamic books) as part of their material education. Each santri (student) is expected to finish studying these materials in accordance with the prescribed curriculum. It is frequently asserted in Indonesia that pesantren are distinctive due to their blend of mysticism and intellectualism [54]. This unique combination, which incorporates both religious knowledge and spiritual depth, is said to support pupils' entire growth. The immaterial component of pesantren education, on the other hand, focuses more on character development and attitude change with the goal of transforming santri into strong people who can handle obstacles in daily life. Pesantren are essential in helping pupils grow psychologically in this way [55]. The Ministry of Religious Affairs reports that there are around 28,000 pesantrens throughout Indonesia, which provide education to millions of Santri. Under the Minister of Religious Affairs Regulation (PMA), pesantren policies are also controlled. These regulations address topics like curriculum, management, and the capacity building of pesantren leaders (kyai or caregivers).

The policy implementation framework highlights the unique operational challenges faced by MoRA.

Unlike schools under the Ministry of Education and Culture (MoEC) which benefit from decentralized budget transfers, madrasahs under MoRA maintain a centralized budget management system [55]. This structural difference makes the MoRA's educational institutions more acutely vulnerable to central government budget cuts, as they lack the financial autonomy enjoyed by regional schools. This situation makes madrasahs an exception in the current autonomous era [55], requiring a specialized policy approach, as suggested by Baroudi [25].

The debate around the budget policy is also rooted in the philosophy of Islamic education. As articulated by thinkers like Azyumardi Azra [36] and Syed Muhammad Naquib al-Attas [50], Islamic education seeks to mold individuals with strong moral and ethical principles alongside knowledge. Al-Attas specifically argued that this education must be preserved and enhanced in all spheres, including funding and infrastructure, to prevent it from being viewed as a 'backup alternative' [51]. The current efficiency policy risks neglecting this philosophical imperative by disproportionately affecting the funding mechanisms critical for quality delivery.

3.2.3 The Need for Governance and Efficiency Reform

Budget policy is a key component in raising the standard of education. The poor quality of education is frequently directly correlated with limited funds for education. An education budget should be managed as well as possible, avoiding excessive extension during times of financial pressure [56]. However, there is still a disparity in output and achievement despite the increase in education investment. This is because budget management and spending are inefficient. Efficiency is determined by comparing the cost-effectiveness of inputs to outputs and by comparing them to district-level educational goals [50]. This highlights that government regulations can have broad and often distorting effects, which may not be in the public interest [57].

Funding for construction, operating, and staff expenses is distributed according to certain rules that form the basis of education funding. The Minister of National Education Regulation No. 41/2007 lays forth precise rules for figuring out how much a student's education will cost, including both the primary and supplemental expenses [29]. These costs cover all of the non-financial and financial requirements that underpin the delivery of education. Therefore, to guarantee the seamless operation of diverse education programs, the use of education money must be done properly and efficiently. This emphasizes the importance of policy and budget audits as mechanisms for advancing equality and human rights, highlighting a renewed focus on these areas both nationally and internationally [58].

The government has a duty to ensure that education funding is guaranteed in terms of government policy. This is consistent with Ibn Hazm's assertion in *Al-Ahkam fi Ushulil Ahkam* that the provision of educational facilities is the duty of an imam or ruler of state [59]. According to him, an imam is actually required to deal with this matter and pay specific people who are in charge of community education. Theoretically, efficiency is the foundation for all performance in a unit of economic activity and is one of the performance metrics. According to Haryadi, schools must determine how to employ the fewest feasible combinations of inputs to reach a given level of output or how to make the best possible result with the inputs that are available [60]. An activity's efficiency can be assessed using the Data Envelopment Analysis (DEA) approach. To find out how well each unit uses resources (inputs) to generate the greatest number of outputs, DEA analyzes similar units in a system, like a firm or a school [61]. Understanding how resources are distributed and utilized in the education sector, including Islamic education, requires a thorough understanding of budget policy analysis

The study supports the idea that the core problem is not just the budget size but inefficiency in budget management and spending [57]. The positive implications (Table 3) suggest that the policy could compel institutions to adhere to principles of transparency, accountability, and participation

[32]. This aligns with Haryadi's (2020) assertion that schools must determine how to achieve the best possible results with available inputs [61]. The application of tools like the Data Envelopment Analysis (DEA) [50] is crucial for verifying this internal efficiency.

In essence, although the Presidential Instruction is oriented toward achieving macro-level efficiency, the analysis indicates that ensuring educational quality necessitates micro-level governance reforms within MoRA institutions to guarantee that every rupiah is allocated effectively toward core educational outcomes.

4. Conclusion

The study concludes that the government's budget efficiency measures, particularly the recent Presidential Instruction, pose a significant threat to the quality of Islamic education in Indonesia by reducing allocations for essential components such as educational facilities, teacher welfare, and professional competency development. These cuts risk further widening the disparity in educational outcomes between public and Islamic schools. From a theoretical perspective, the findings reaffirm that insufficient financial investment undermines the core propositions of Human Capital Theory. From a practical standpoint, they highlight the urgent need for internal governance reforms within the Ministry of Religious Affairs (MoRA) to enhance transparency, accountability, and the effective distribution of educational resources.

To ensure long-term sustainability, policy recommendations include reallocating budgets from consumptive assistance to productive investments, such as professional skills training and educational research, strengthening partnerships with the private sector, and introducing internal efficiency measures—such as minimizing bureaucratic redundancy—to redirect resources toward teacher welfare and instructional quality. Nevertheless, this study is constrained by its reliance on secondary data sources. Accordingly, further research employing primary data collection methods, such as case studies or field surveys in madrasahs, is strongly recommended to capture localized socioeconomic impacts and formulate more contextually grounded policy recommendations.

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