

Policy Brief: Higher Education Financing System

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Executive Summary

Purpose - The objective of this policy brief is to provide policy recommendations to address problems of higher education financing system in Indonesia. Recent news reported that the total amount of interest-based online student loans given to students in various universities in Indonesia reached Rp 450 billion on February 26, 2024. The Chairman of the Business Competition Supervisory Commission (KPPU) stated that interest-bearing loan products are not in line with Act No. 12/2012 Article 76 of the Higher Education Law which prohibits the provision of interest-bearing loans.

Methodology - The methodology used is descriptive approach which includes determining the objectives, conducting the research process including data collection, analyzing the benefits and costs, the basis for policy choices, and recommendations.

Result - As a result, this policy brief proposes a recommendation, namely Student Tuition Fee Assistance with a Social Loan Scheme. Furthermore, in the implementation stage, several organizations must be involved, including the government and social lenders.

Implication - This Policy Brief highlights the urgent need for policy and regulatory reforms to address the reliance on interest-based student loans, which are in contravention of Indonesia's Higher Education Law. Rising tuition fees and inadequate repayment schemes limit access for economically disadvantaged students, underscoring the importance of equitable financing models, such as interest-free social loan schemes that leverage Zakat, Infaq, Sadaqah, and Waqf (ZISWAF) funds. By integrating financial technology and Islamic finance principles, these models can improve accessibility and efficiency while promoting social and economic justice. Furthermore, addressing these financing issues is critical to reducing graduate unemployment and supporting national economic growth,

Keyword - Higher Education, Student Loan, Social Loan, ZISWAF

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1. Introduction

The Central Bureau of Statistics (BPS) noted that the inflation rate in the education sector in June 2023 reached 2.75%, which indicates an increase in index from 109.62 in June 2022 to 112.63 in June 2023. Among the sub-groups, the highest annual inflation occurred in the other education sub-group at 3.8%, while the lowest was in the secondary education sub-group at 2.14%. This sub-group contributed 0.15% to overall inflation in June 2023.

The most significant contributor to annual inflation was academic or university tuition fees at 0.06%. However, on a monthly basis, this group does not contribute to national inflation. In certain cases, especially at private schools or prestigious universities, the inflation of tuition fees can reach 10-15% per year (BPS, 2023). These increases at various levels indicate the higher cost of education.

Furthermore, Indonesia has three tuition fee payment schemes, those are the full scholarship, partial scholarship and self-payment. Full and partial scholarships are provided by the government and the private sector such as scholarships of the ministry, destination campus scholarships, social institution scholarships, individual scholarships, company scholarships and so on.

Meanwhile, independent or self-payments are provided by students, parents or families. According to the Indonesian Ministry of Education and Culture Regulation No. 25 of 2020, self-payments of education in Indonesia are called the Standard Unit of Higher Education Operational Costs (SSBOPT), although students are more familiar with the term Single Tuition Fee (UKT) as a unit that must be paid to pursue education. In this regulation, it is explained that the components that determine the amount of SSBOPT are direct costs and indirect costs. The term UKT is used on state campuses that use government subsidies. While private campuses use the term SPP but recently have also started using UKT. The Single Tuition Fee (UKT) rates for students are generally determined based on the income of the student's parents or guardians. Examples of policies on public or state-owned universities:

1. Category 1: Low tuition fee, suitable for students with low income of parents or guardians, which is around Rp 500,000.
2. Category 2: Medium tuition fee, suitable for students with a medium family income of around Rp 1,000,000.

While public universities in Indonesia add classifications of UKT payments based on the income of parents or guardians, this is typically done to promote fairness and to consider the economic capabilities of students' families. Below are examples of UKT levels that are commonly found (Putri, 2023):

1. Category 3: Medium UKT, which applies to students with a higher family income than the previous group, at approximately IDR 2,500,000.
2. Category 4: High UKT, mainly designated for students with a high level of family income, approximately IDR 4,000,000.
3. Category 5 and 6: very high UKT, intended for students with very high family income levels, approximately IDR 5,000,000 and IDR 6,000,000, respectively.

It is important to note that the number of groups and the amount of UKT may vary between universities and may change from time to time. The selection of groups is commonly made based on information on parents' income or guardians stated by the student on the registration form or UKT selection form.

Although the UKT classification was based on information regarding the financial condition of the student's parents or guardians, there are many cases where the UKT charged is far above the ability of the student's parents or guardians. This was revealed in the recent case of student demands at ITB against the provision of solutions to use online loan facilities for students who have difficulty paying UKT. According to the student affairs office, the number of students affected by UKT payments are 206 people in total. Apparently, those are threatened to leave their studies if they do not meet the payment deadline. Meanwhile, students who take leave are still required to pay UKT of 50 percent or Rp.6.25 million.

In addition, previously in 2023 a case also occurred at the University of Indonesia (UI), where students passing the UTBK-SNBP or achievement pathway at UI, reconsidered studying at UI due to the high UKT fees. As many as 10 prospective students from various faculties submitted to resign as the amount they had to pay was deemed incompatible with their family's economic conditions. This triggered a strike regarding the high UKT fee by the Student Executive Board (BEM) of UI based on the fact that prospective students on the SNBP or merit pathway were charged the UKT fee of up to Rp.20 million per semester. Even after BEM filed an objection, as many as hundreds of prospective students are still charged UKT of tens of millions.

Moreover, a similar case also occurred at Yogyakarta State University (UNY), where 97 percent of the thousands of students who filled out a questionnaire distributed by "UNY Bergerak" admitted that they could not pay UKT.

According to BPS (2022), there are 2,990 private universities in Indonesia, while the remaining 125 are public universities. Private universities are forced to offer high fees as all the costs must be borne by themselves, starting from the construction of the building, daily operations and ensuring the quality of the Tridharma of the lecturers. Therefore, the cost of education can be multiple times compared to that offered by public universities. This then leads to problems with tuition payments among students.

2. Methodology

The policy brief is written through a general descriptive methodology approach as follows: 1. Identification of objectives; 2. Research process and data search; 3. Analysis of benefits and costs; 4. Determination of market analysis of policy options; and 5. Recommendations.

3. Result

Following are the findings of the research undertaken, including the analysis of benefits and costs as well as the basis for policy choices.

3.1 Pre-Existing Policies

The growing news of online student loans affiliated with Indonesian universities has raised public concern over the number of students getting into debt at a young age and facing financial difficulties in the future. This may put a greater burden on their future economic responsibilities, as demographic shifts create a sandwich generation and the burdens of supporting a growing elderly population.

Education is one of the key pillars in national development. However, the high cost of education is currently an obstacle for many people to get a proper education. This has led to the emergence of various student loan schemes offered by financing institutions, including by financial technology (fintech) startups.

However, among the incidents recorded in the last two years, the involvement of ribawi-based commercial fintechs that offer student loans has drawn a lot of controversy

and criticism. Most of these fintechs only focus on volume and neglect the risk mitigation that could potentially lead students into a more difficult situation, as outlined below.

First, the chance of default on commercial loans is quite high. This may not always be due to fraud, but it can also be due to an unbalanced lifestyle. Whenever students experience financial difficulties, they will be burdened with loan installments with high interest rates. Secondly, in the case of default, students will be chased by debt collectors and their names will be listed in the Financial Information Service System (SLIK). This will make it difficult for them to get a job and sustain their lives.

Education loans are a type of loan provided by various financial institutions to assist students in financing their college, school, and course fees. Student loans have been widely practiced abroad, both for universities and colleges in developed countries and in developing countries. Collated from various sources, several institutions in Indonesia offer student loans in Indonesia, among others:

1. Edufund: provides education loans with products such as EduCollege, EduSchool, EduCourse, and EduCash, which provide access to education installments without collateral. Since 2019, Edufund has served thousands of users consisting of students, college students, fresh graduates and workers, and has collaborated with dozens of educational institutions consisting of schools, universities, and courses through financing that are available throughout Indonesia. Some educational institutions have officially cooperated with Edufund including Universitas Pelita Harapan (UPH), IPMI International Business School, SAE Institute Jakarta, Wall Street English (WSE), Algorithm, Purwadhika, and others. Edufund has provisions with an interest rate of 1.25% flat per month, a maximum ceiling of Rp.200 million, penalties starting from 1% (if repayment is accelerated), penalties starting from 0.2% per day (from the total installment), administration fees starting from 0.5%, provision fees starting from 0.5%, payment tenors of up to 60 months with collateral types of immovable fixed assets.
2. CICIL Uang Kuliah: offers student loans of up to Rp.30 million with light installments of up to 36 months, low margins and insurance protection. PT CICIL Solusi Mitra Teknologi, domiciled in Indonesia, is a subsidiary of CICIL Technologies Private Limited domiciled in Singapore. CICIL collaborates with dozens of universities, in the form of financing that can be used throughout Indonesia such as Malikussaleh University (UNIMAL), Udayana University (UNUD), Jenderal Soedirman University (UNSOED), Manado State University (UNIMA), Mulawarman University (UNMUL), and others. It offers tenor of up to 36 months that can be borrowed up to 80% of the required education costs with an interest rate of 1-1.5% per month.
3. Danacita: provides student loans for tuition fees and courses, in collaboration with hundreds of educational institutions across Indonesia. such as Bina Sarana Informatika (BSI) University (BSI), RevoU (Revou), Wall Street English (WSE), President University (PU), CoLearn (CoLearn), EF EFEKTA English for Adults (EFEKTA English for Adults), Nusa Mandiri University (UNM) (Nusa Mandiri University), Digital Skola (Digital Skola), most recently the Bandung Institute of Technology (ITB) and others. There is an administration fee of Rp.100,000 and a loan fee of 3% of the total loan. The loan tenor is twice the remaining study period.

Education funding loans in Indonesia have different terms and conditions, but generally require administrative documents, such as identity card (KTP), student card (KTM), proof of billing from educational institution, and proof of guarantee when borrowers are under 21 years old or do not have an income.

However, polemics arise from the risk of borrower default should a large proportion of borrowers have difficulty repaying their debts, creating a financial burden and raising questions about the sustainability of the student loan system. Furthermore, the potential of high debt burdens after graduation, which can limit the student's capability to achieve other financial goals, such as buying a house or getting married. On top of the debt burden, these fresh graduates will also face economic uncertainty which can make it more difficult to find a job or business that provides enough income to repay student loans.

3.2. Scholarships in Indonesia

In Indonesia, several types of scholarships are available, such as: Indonesia Endowment Fund for Education (LPDP), 5000 Doctoral Scholarships, Indonesian Education Scholarships (BPI), Zakat and Waqf Scholarships, and direct scholarships from the intended university.

1. LPDP

Indonesia Endowment Fund for Education (LPDP), which initiated its program in 2013, is a Public Service Agency (BLU) under the Secretariat General of the Ministry of Finance in accordance with the Minister of Finance Regulation (PMK) No. 252/PMK.01/2011 on the Organization and Work Procedures of the Education Fund Institution. LPDP carries out the mandate of managing the National Education Development Fund (DPPN) and distributing the results of the development of these managed funds in the form of scholarships, research, and rehabilitation of educational facilities. Presidential Regulation Number 12 of 2019 concerning the Education Endowment Fund which also strengthens the strategic role in efforts to manage this education endowment fund. In 2020, LPDP's role was expanded by being given the mandate to manage non-DPPN education budgets such as the Cultural Endowment Fund, Research Endowment Fund, and Higher Education Endowment Fund.

2. 5000 Doctoral Scholarships

5000 Doctoral Program, better known as the Ministry of Religious Affairs (MORA) Scholarship, is a Domestic and Overseas Study Scholarship and Domestic and Overseas Education Completion Assistance. The MORA Scholarship is intended for lecturers and education staff in Islamic Religious Universities (PTKI), Private Islamic Religious Universities (PTKIS) and civil servants at the Directorate General of Islamic Education. This scholarship covers registration and selection exam fees (awarded if passed), tuition fees, living expenses, book and reference fees, research fees, and domicile allowances.

3. Indonesia Education Scholarship (BPI)

The Ministry of Research and Technology's Indonesian Education Scholarship (BPI) has been implemented since 2021. BPI Kemendikbudristek has increased and broadened the channels of scholarship acceptance in order to embrace more parties. Through BPI, Kemendikbudristek realizes its devotion and support for higher quality education and equality of opportunity in studying. The types of BPI scholarships are as follows:

- 1) Scholarship for vocational teacher candidates for undergraduate level.
- 2) Scholarships for cultural actors and faith educators for undergraduate to doctoral level.
- 3) Advanced Indonesia Scholarship (BIM) for undergraduate and postgraduate levels through an independent scheme. BIM also has a preparation scheme managed by the National Achievement Center.
- 4) Academic college scholarships for postgraduate and doctoral levels. This scholarship is intended for lecturers, prospective lecturers, and education officers.

- 5) Vocational college scholarships for postgraduate and doctoral levels for lecturers and education personnel.
 - 6) Scholarships for educators and education personnel in formal and non-formal education units within the Ministry of Research and Technology for postgraduate and doctoral levels.
4. *Zakah* dan *Waqf* Scholarship

According to the 1996 MUI *Fatwa* on *zakah* for scholarships, the law is permissible, as it falls under the *ashnaf fi sabilillah*, which is assistance issued from *zakah* funds based on QS At-Taubah (9): 60 on the basis that the definition of *fi sabilillah* according to some *fiqh* scholars from several *madhhabs* and *tafseer* scholars is “the *lafaz* is general”. Consideration that Muslim students/scholars, recipients of scholarship *zakah* are: academic excellence; prioritized for those who are underprivileged; and studying knowledge that is beneficial to the Indonesian nation. Some examples of *zakat* scholarships in Indonesia:

1) BAZNAS Scholarship

BAZNAS issued regulation no. 3 of 2018 regarding the distribution and utilization of *zakat*. The utilization of *zakat* is conducted in the fields of economy, health, and education. BAZNAS scholarships consist of:

1. Domestic Scholarship
2. Albukhary International University Scholarship
3. Al Azhar Scholarship, Cairo
4. Scholarship for Cadre of Thousand Scholars
5. BAZNAS Partnership Scholarship
6. BAZNAS Research Scholarship

2) Kalla Scholarship

Kalla Scholarship is funded by *zakat* and *infaq* funds managed by Hadji Kalla Foundation (YHK). This program provides UKT Scholarship Assistance as well as social and academic capacity building activities for Kalla Scholarship recipients. Until 2022, Hadji Kalla Foundation has helped more than 700 students who are studying at various universities in 4 provinces of YHK Working Area, including South Sulawesi, West Sulawesi, Central Sulawesi and Southeast Sulawesi. The total value of assistance in 2021-2022 reached 3.3 billion Rupiah.

3) *Waqf* Scholarship

This type of scholarship uses the proceeds from productive *waqf* such as the BWI-IPB Scholarship and the scholarship program for orphans and the poor from Wakaf Ikrar Indonesia.

In addition to the above scholarships, there are scholarships from the intended university, pursued by the university, for example the Tazkia Scholarship at the Tazkia Institute of Islamic Religion. The scholarship funds are sourced from individual *zakat* funds of Tazkia partners, *infaq* of the foundation, local government budget managed by Tazkia Cendekia Foundation to pursue studies at Tazkia Institute of Islamic Religion.

This scheme is widely practiced in other campuses in Indonesia. From 2017-2022, for example, the Tazkia Institute managed scholarship funds of up to Rp. 105 billion from strategic partners including individuals, private institutions and local governments.

3.2. Student Loan

A student loan is an assistance provided to a student that should be repaid within a certain period in the future. This has become a common practice in various countries as follows:

1. Tuition Fee Loan Scheme in Indonesia
Islamic financial institutions (banks and fintechs) that offer education loans include:
 - 1) Bank Muamalat Indonesia
Offers education financing products such as Hijrah Multipurpose Financing with margin pricing and various contract options.
 - 2) Bank Syariah Indonesia
Provides Mitraguna Berkah education financing based on Sharia principles with a ceiling of up to Rp1.5 billion or Rp2.5 billion for medical education.
 - 3) Dhuha Syariah
Offers sharia loans for education with an easy application process and a loan amount of up to Rp 30,000,000.
 - 4) Ammana Fintek
Similar to Duha Syariah, Ammana offers sharia-based education loans ranging from Rp500,000 to Rp10,000,000 with flexible repayment terms.
2. The Student Loan system offered by the Malaysian Government
The Malaysian Government offered student loan that consists of two types: interest-free and installments after employment. It is deducted directly from the future salary and considered to be very low as it is split into long periods of time. The latest scheme offered by the government is PTPTN or Perbadanan Tabung Pendidikan Tinggi Nasional, which is a government agency that offers special education loans for higher education to Malaysian students whose parents' income is RM 50,000 (IDR 166 million) per month. PTPTN loans are based on prioritized needs such as:
 - 1) Low-income families can borrow larger amounts;
 - 2) Loans for private institutions are higher compared to public institutions as tuition fees are usually higher; and
 - 3) Science-related study programs have higher loan amounts compared to humanities study programs.The essential qualifications required for a PTPTN loan:
 - 1) Have at least a 2.0 GPA to maintain a PTPTN loan;
 - 2) PTPTN loan interest rate of 1%;
 - 3) Start repaying PTPTN 12 months after graduation. PTPTN will not send instruction letters to loan recipients, so borrowers should be responsible for repaying the study loan according to the repayment schedule. The repayment period will depend on the amount of the PTPTN loan undertaken;
 - 4) Penalties for not repaying PTPTN loans. The increasing number of PTPTN loan defaulters (people who have failed to repay their loans) will put them on the Central Credit Reference Information System (CCRIS) list. It is a system that stores financial information on borrowers in Malaysia and is used by banks to determine whether they are considered creditworthy or bad credit defaulters. Being blacklisted by CCRIS is a serious matter, as it can lead to one being instantly rejected every time they apply for a credit card, home loan, or personal loan.
 - 5) PTPTN loans can be converted into scholarships. If a PTPTN borrower completes a degree with First Class Honors, it will be exempted from repaying the PTPTN loan, which means receiving a full scholarship. In general, First Class Honors usually requires PTPTN borrowers to have a minimum GPA of 3.67/4.00, or higher.
3. Student Loan in Singapore.
In Singapore, several student loan options are available, including:
 - 1) OCBC Study Loan

- 2) DBS Study Loan
- 3) Study Loans for students at universities and polytechnics
- 4) Study Loan for students at Nanyang Academy of Fine Arts
- 5) Study Loans for students at Nanyang Technological University, Singapore Institute of Technology, Singapore University of Social Sciences, and Singapore University of Technology and Design.

These loans offer various features such as tuition fee subsidies, living allowances, low interest rates, flexible repayment terms, and partnerships with selected educational institutions.

4. Student Loan in Australia

Universities across Australia provide loans for local and international students. Most institutions offer both short-term and long-term loans; these can help students to cover emergencies, as well as pay for living expenses. Here are some examples of universities that provide student loans:

- 1) The University of Melbourne will lend eligible students up to AU\$5,000 should they have an Australian co-signer. They will lend students up to AU\$3,000 if their co-signer lives overseas or is not an Australian citizen/permanent resident.
- 2) The University of Sydney offers loans of up to AU\$2,000 repayable up to two years after graduation.
- 3) Students who need financial assistance at Monash University can take out a loan of between AU\$750 - 3,000 which will be repaid within 6-12 months.

5. Student Loan in Brunei Darussalam.

In Brunei Darussalam, several student loan options are available to finance education, including:

- 1) Baiduri Bank Study Loan
 1. Effective interest rate of 6.0% per annum
 2. Loan tenor of up to 6 years
 3. Funding will cover airfare, registration fees, tuition fees, accommodation and other living expenses
 4. Loan protection insurance coverage
 5. 2 types of schemes are available: children to continue their advanced studies and working adults to continue their studies (in-service schemes)
- 2) TAIB Study Loan
 1. Using sharia contract; Tawarruq
 2. Brunei citizens and permanent residents
 3. Employees of the Brunei Government and certain private sectors
 4. Loan tenor of 7 - 10 years
 5. Maximum loan amount \$250,000

6. Study Loan in the Philippines.

In the Philippines, several student loan options available to finance education, including:

- 1) CHED Student Loan Program
- 2) SSS Educational Assistance Loan Program
- 3) GSIS Education Loan
- 4) Pag-IBIG Multi Purpose Loan
- 5) LANDBANK I-STUDY Program
- 6) Union Bank Personal Loans
- 7) BPI SIP Loan for School

- 8) Bukas Tuition Instalment Plan
 - 9) InvestEd Student Loan
 - 10) University of the Philippines Diliman (UP Diliman) Student Loan Program
 - 11) University of the Philippines - Los Baños Student Loan Board Program
 - 12) De La Salle University (DLSU) Student Loan Program
 - 13) Mapua University Student Financial Assistance Program (STUFAP)
 - 14) Digidio Cash Loan
7. Student Loan in the UK.

The UK government offers low-interest student loans for those above the low-income bracket. The loan is repaid after employment and spread over a long period of time. If the borrower falls into the low-income or disability category, it becomes a scholarship. A petition was made from 2013-2017 to make it a sharia-based loan but it is still on hold until 2025.

8. Company Loan

A company that provides Education Fund Loan Assistance Opportunities in the Southeast Asia Region: Zomia SPC is a social enterprise that aims to improve access to higher education among students from marginalized communities (established in 2014). The company provides affordable education loans through P2P lending to students from marginalized communities funded by individuals and philanthropic organizations from around the world.

4. Benefits and Costs Analysis

The payment of education expenses in Indonesia has expanded with the introduction of specialized loan products for education. It is due to the nature of scholarships as financial assistance that are not repayable and the opportunity to obtain a scholarship package is very limited. Scholarship providers typically are public and private educational institutions, as well as government agencies and social organizations. Scholarships are offered on the basis of merit, economic ability and other parameters. Therefore, the repayments are mostly in the form of stipend, either tied or untied. Meanwhile, education loans are subject to payback by the borrower. Loan providers could be financial institutions specialized in offering student loans, with the requirement of the borrower's ability to repay the loan, and it is available only to approved students. Furthermore, education loans have a risk of default, which can be detrimental to the borrower should a default occur.

According to Jawahrani (2022), student loans allow students to focus on their studies without having to work part-time in order to cover living expenses, tuition fees, and other needs. In addition, student loans also support education reform and promote equal educational opportunities especially for students in need to complete their studies, with economic benefits based on life level measurements (Guo-Ping, 2008).

Although student loans are already widely practiced in some developed countries, such as in the United States, it affect nearly 44.7 million borrowers with a total debt of more than US\$1.71 trillion (Jawahrani, 2022). While student loans play a large role in financing higher education, the burden of post-secondary debt causes frustration and anxiety among young people, affecting their ability to support themselves and even their marriages, leading to potential family problems in the US. Young people with student debt are concerned that this debt will impact their ability to support themselves and are therefore worried about switching roles to become a married couple. Although this varies by social class background and debt level (Napolitano et al. 2021).

Furthermore, Gayardon et al. (2021) explained that student loan debt and higher education funding policies significantly affect young people's residential ownership in the

UK, where graduates who did not borrow for their studies were more likely to own a home and less likely to rent or live with their parents. In fact, according to Harris et al. (2021), the student loan system can be seen as a form of symbolic violence, perpetuating existing stratification and affecting the psychological stability on the future outlook.

In addition to the problems that arise from student loans in developed countries, problems also arise from student loans in developing countries. Research conducted by Shen and Hiderman (2009) in 39 developing countries shows that student loan schemes operate in more than seventy countries around the world. However, most loans schemes could benefit from substantial government subsidies and any losses from default are not charged to the student. Many loan schemes also offer considerable relief to borrowers. Yet, from the schemes studied, the repayment ratio of student loans is approximately 40% and the overall loan settlement is much lower. Other challenges with tuition fee loan schemes in developing countries are policy irrelevance, application system issues, and loan repayment issues, which affect other community empowerment programs (Dimmera, B, 2019).

4.1 Basis for Policy Choice

Based on the previous explanation, with the limited number of subsidized universities, the demand for campuses that provide high quality facilities and education along with the increasing number of companies that require higher education during recruitment and the increasing competition for prestigious jobs, the cost of education is more unaffordable for many families in Indonesia. This has led to an increasing need for scholarships, tuition fee discounts, or installment schemes from universities.

However, since the scholarships are limited and many universities do not provide easy payment schemes, the need to take loans from commercial institutions becomes a solution. In addition, the habit of financially planning children's higher education remains largely unpracticed by many families in Indonesia. According to Sakinah Finance's studies in numerous forums, only 10% of the participants admitted to have financially managed their children's education up to college, while the rest tended to plan for short and mid-term purposes of secondary and tertiary needs such as marriage, house renovation, traveling, going on Hajj or Umrah. Higher education is not considered a primary need as they believe that the provision is only up to senior high school.

Despite the challenging repayments of commercial tuition fee loan schemes, students and their families believe that by getting a higher education and graduating well, the hard work in paying the installments will be paid off by getting a high-paying and prestigious job. However, no promises can be made, as open unemployment is considered high at 4.59% with a Diploma I/II/III education level and 4.8% with a university education level (BPS, 2023). Another statistic shows that the number of unemployed graduates of higher education is also concerning, with many campuses unable to meet the target of ensuring their graduates are recruited by the workforce three months after graduation. It is evident based on the Ministry of Education and Culture's report that as many as 13.33% of higher education graduates are still unemployed, with a total of 1,120,128 people from 235,559 vocational campuses and 884,759 people from academic universities (detikEdu, 2023). Given this reality, the education loan system may not be able to solve the problem, and may even create new problems like what happened in America. The following table explains the Benefits and Costs analysis for scholarships and loans that have been practiced in various countries (from the perspective of students):

Table 1. Comparison of Benefits and Costs of Scholarship and Loan Schemes

Analysis	Scholarship	Commercial Loan	Social Loan
Benefit	<p>Motivate students to excel and compete</p> <p>Providing opportunities for those who cannot afford to compete</p> <p>In accordance with the purpose of zakat distribution, particularly for mustahik of <i>fii sabilillah</i> category.</p> <p>Supervised by an individual (in case the scholarship is from an individual) or an official institution (in the case of a scholarship from a specific institution/public or private university/tax institution)</p>	<p>Provides opportunities for those who are unable to receive a scholarship.</p> <p>Provides a solution for families who can afford but have liquidity issues</p> <p>Options for loan providers and schemes are available</p> <p>Easier to access</p> <p>No service obligations</p> <p>Supervised by BI/OJK for the legitimate ones</p>	<p>Provides an opportunity for those who are unable to get scholarships and are not eligible for commercial loans</p> <p>Become an opportunity to excel by having a loan conversion scheme into scholarships</p> <p>No burden on the family as no additional interest/margin is charged.</p> <p>Loan repayment period can be long-term</p>
Cost	<p>Not everyone is eligible</p> <p>Many requirements addressed only the very poorest families through checking the utility bills, prove of Certificate of Disadvantage, and parents' salary statements.</p> <p>Terms of service</p>	<p>Burdensome due to additional interest/margin</p> <p>Requires short-term loan repayment planning</p>	<p>Limited number of offerings</p> <p>Highly competitive as more will opt for this scheme</p> <p>Some require service ties</p> <p>Low quality of returns if not assisted with strict covenants and severe consequences</p>

5. Conclusion

The study identifies significant flaws in Indonesia's higher education financing system, including dependence on interest-based loans, insufficient access to scholarships, and inadequate financial literacy among students and families. The recommended social loan scheme, leveraging ZISWAF funds, offers a sustainable and Sharia-compliant alternative that can reduce financial strain while fostering access to quality education. Collaboration between government, financial institutions, and social organizations is essential to implement this model effectively. By prioritizing financial literacy, equitable loan structures, and infrastructure support, Indonesia can create a more inclusive and resilient higher education system.

6. Recommendations and Mechanisms in Policy Implementation

The recommendation of the above analysis is **Student Tuition Fee Assistance with Social Loan Scheme**. This is due to the mandate of the 1945 Constitution, Chapter XIII, Article 31 paragraph (1) which states, that "Every citizen has the right to receive education." To ensure a good governance mechanism for this scheme, the following organs should assist the implementation process:

A. Government

- a. The government in this case refers to, among others: 1. the Indonesian Ministry of Education, Culture, Research and Technology; 2. the Indonesian Ministry of Religious Affairs; 3. the National Amil Zakat Agency; 4. and the Indonesian Waqf Board
- b. Conducting an expansion of family financial management literacy, particularly among young families to enforce discipline in planning education for their children, for instance through early preparation via business, asset allocation, savings or education insurance.
- c. Supervise the schemes offered by government agencies or it should be noted that current education fund loans are short-term, while education funds should be categorized as long-term contracts.
- d. Enact regulations on tuition fees in higher education to avoid business orientation in education.

B. Social Loan Provider

- a. The social loan provider means, among others, are education fund management institutions such as LPDP, social institutions such as the National Amil Zakat Agency and the Indonesian Waqf Agency.
- b. Expanding the scope of the National Education Development Fund (DPPN) to be channeled not only limited to scholarships, research, and rehabilitation of educational facilities but also educational loans. Lesson learned from experiences in several countries, DPPN is channeled in the form of interest/margin-free loans which are repaid in case participants do not meet predetermined requirements such as GPA scores, national and international achievements, and so forth. The repayment period can be determined with a period of 1-20 years after graduating the program and monitored by a special division under LPDP in collaboration with financial institutions. If participants meet the requirements that have been listed, loans can also be converted into scholarships.

- c. Establishing a loan scheme from the funds of the Education Fund Management Institution (LPDP), which has an endowment fund of nearly Rp.140 million by 2023, where each year the government allocates Rp.20 trillion for the endowment fund. The funds come from the education budget at 20% of the state budget in the APBN. LPDP could also cooperate with the Association of Indonesian Sharia Banks (ASBISINDO), which is a consortium consisting of members of Islamic banks, BPD Syariah and BPR Syariah, thus expanding its outreach throughout Indonesia. The terms and conditions of acceptance, as well as the financing mechanism agreed with ASBISINDO, require involvement with Islamic banks due to their interest-free nature, as stipulated in the Higher Education Law. As for detailed operational mechanisms can be discussed with the association.
- d. Utilize the education funds with *tabarru'* (helping) contracts, in which the more appropriate student loan solution is to utilize *zakat*, *infaq*, *sadaqah*, *waqf* (ziswa) funds to be used as *qardhul hasan* (interest-free loans) or even *hibah* (scholarships). These funds have several advantages:
 - i. Preferential to students: ziswa funds are not added with loan interest because they are not commercial in nature. This will ease the burden on students to complete their education.
 - ii. Safer: these funds are managed by trusted institutions that have a purpose to help education. The risk of default is much lower compared to commercial loans.
 - iii. Fairer: these funds can be distributed to students who are truly in need, unhindered by restrictive terms as in commercial loans.
 - iv. Thus, a student loan solution that utilizes ziswa funds is a more appropriate and sustainable solution to help education in Indonesia.
- e. Another scheme that is felt to be more in line with tuition assistance is the provision of *waqf* for educational facilities on campuses, particularly the private campuses (such as buildings, school/college supplies, and others) thereby reducing the cost of education offered to. Likewise, the use of productive *waqf* can provide additional living expenses for students who cannot afford it.

Hereby we submit this policy brief, hopefully the recommendations submitted can be a solution to the financial problems faced by underprivileged students in Indonesia.

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