

# The Effect of Fiscal Decentralization on Improving the Quality of Primary Schools

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## ABSTRACT

Fiscal decentralization is a policy that hands over all power from the central government to local governments. The goal is that local governments can be more free to regulate according to what is needed by their regions. Education is an important indicator used to see the level of progress of a country. Along with the development of the current era, the quality of education is something that must always be improved so that Indonesia has good quality education so that later educational goals can be achieved. Thus, the purpose of writing this article is to find out more about the effect of fiscal decentralization on improving the quality of education. The method used is a meta-analysis by collecting previous articles through Google Scholar. The data obtained is then grouped for analysis and final conclusions are drawn from the topics raised. The results showed that fiscal decentralization has a positive influence on various elements of education, especially on improving human resources, namely students, which is the main focus in the quality of education.

**Keywords:** *Fiscal Decentralization, Quality of Education, Field of Education.*

## 1. INTRODUCTION

Decentralization is defined by considering several factors such as administrative, fiscal, political, and social development. Through Law No. 22 of 1999, Indonesia began to introduce a decentralized system in the hope of encouraging regional economic growth in accordance with regional conditions [1]. A key component of decentralization is fiscal decentralization, whereby local governments can fulfill their responsibilities and be given flexibility in public sector spending decisions. To do so, the state government must receive support from the central government in the form of grants/subsidies or loans, as well as sufficient financial resources from Local Original Revenue (PAD), tax distribution, and tax exemption [2]. Decentralization of taxation is based on the assumption that local governments know the needs of the people in their regions better than the central government. Local governments are expected to achieve more equitable community welfare through fiscal decentralization policies. In the context of decentralization, the central government transfers its authority to each autonomous region. Therefore, each autonomous region has the right to manage the resources in its territory and is obliged to exercise the state power granted to the region [3].

Education is one indicator that can be used to determine the level of success of the government of a country, both developed and developing countries can be seen from the indicators of education [4]. Quality education is the demand and expectation of all education actors. All parties involved in education want to study in educational institutions of the highest quality. Quality basically indicates the superiority of a product compared to other products and is considered an important part to pay attention to. In addition, in the world of education, quality is an important factor that cannot be ignored. The issue of improving the quality of education will continue to be a topic of discussion in the implementation of education. Based on this, schools and educational institutions must offer good and quality services in order to continue to compete with other educational institutions and not be left behind. To improve the quality of education, continuous efforts must be made so that the goals and expectations of education quality can be achieved [5].

Quality in education is a service that focuses on students. Therefore, quality must be able to meet the different needs and expectations of different actors. With the demands of the development of science and technology, the quality of education grows and increases. As a formal educational institution, schools are expected to significantly improve educational standards through a planned approach. Improving the quality of human resources so that they can be

implemented effectively through the application of education is a response to the needs and dynamics of society that continues to develop [6]. Schools that show good performance or quality are based on several factors, including: (1) schools have commitment, care, and awareness that the quality of education is important, (2) schools have initiative and creativity to make efforts to improve quality, and (3) schools have strong leadership, and are supported by parents [7]. Comprehensive reforms are needed to improve national education performance. This is done through political reforms, decentralized governance, and educational autonomy. The responsibility of education, which was previously in the hands of the central government, was then transferred to local governments. The implementation of education under the control of regional administration aims to increase efficiency and effectiveness in order to improve the performance of the national education system [8]. The question of how the process of implementing regional commitments related to education services works is an interesting analysis. Although no longer a new topic, evaluation studies of decentralization implementation have always been a concern for various groups, including researchers and policy makers. Therefore, this article was written with the aim to know and analyze the impact of fiscal decentralization policy on improving the quality of the education sector.

## 2. METHOD

The method used in this study is a meta-analysis. Meta-analysis is a research method carried out by summarizing, reviewing, and analyzing data from several pre-existing research results. Data collection is done by searching for previous articles on the online journal search site, Google Scholar. The keywords used to find articles that match the research theme include: (1) Effect of Fiscal Decentralization, (2) Impact of Fiscal Decentralization, (3) Education, (4) Quality of Education, and (5) Schools. The results of the search using these keywords obtain various kinds of articles, from various kinds of articles then selected articles that match the topic of research discussion. Data analysis is carried out by grouping research results from each article obtained to be presented and conclusions can be drawn about the effect of fiscal decentralization on improving the quality of education.

## 3. RESULT AND DISCUSSION

### 3.1. Result

The search results yielded 5 articles related to this study. The articles found are previous research articles from 2013-2020. The next step after analyzing the article is to classify the research results from previously obtained articles according to Tables 1 and 2 below.

**Table 1.** Article Data in General

Article Data		
Criteria in Data Collection	Article Grouping	Acquired Articles
Year Published	2013	2
	2014	2
	2020	1
Decentralization	Fiscal Decentralization	5
Relevant Variables	Improving the Quality of Education	5

Data from five articles on the same topic show the influence of fiscal decentralization in Indonesia. The specific acquisition of articles is grouped in table 2 below.

**Table 2.** Article Data Specially

Researcher Name	Year	Article Title	Research Method
Dayu Larasatia & Hendra Saputra	2014	Analysis of the Effect of Fiscal Decentralization on Education Accessibility in Indonesia Before and After Fiscal Decentralization	Quantitative
Solechah	2013	Impact of Fiscal Decentralization on Public Service Outcomes Pendidikan (Studi Kasus: Provinsi Jawa Tengah)	Panel data analysis (pooled data)
Ginanjar Agung Rahmadi & M. Pudjihardjo	2020	The Effect of Fiscal Decentralization on the Welfare of Indonesian People in Education	Associative quantitative

Noval Akhmad Huda & Hadi Sasana	2013	Analysis of the Impact of Fiscal Decentralization on Education Public Service Outcomes (Case Study: DKI Jakarta Province)	Panel data analysis (pooled data)
Mujiyati & Heppy Purbasari	2014	The Effect of Fiscal Decentralization on Literacy and School Participation Rate in Districts/Municipalities of Central Java Province for the 2010 and 2011 Periods	Classical assumptions and simple linear regression

In table 2 the name of the researcher, the year of publication, the research method used, and the title are grouped with the aim of making it easier to analyze in the discussion section.

### 3.2. Discussion

Based on the search results of articles previously obtained through the Google Scholar database, an analysis was carried out by looking at the results of research, based on which it was decided whether decentralization of taxation had a negative or positive effect on improving the quality of education. Analysis of research results from collected articles is presented in Table 3 with the aim of making it easier to draw final conclusions from the analysis.

**Table 3.** Analysis Results

Research Topic/Article	Nama Peneliti & Tahun Penelitian	Hasil Penelitian (Negatif/Positif)
Analysis of the Effect of Fiscal Decentralization on Education Accessibility in Indonesia Before and After Fiscal Decentralization	Dayu Larasatia & Hendra Saputra, 2014	Positive
Impact of Fiscal Decentralization on Education Public Service Outcomes (Case Study: Central Java Province)	Solechah, 2013	Negative
The Effect of Fiscal Decentralization on the Welfare of Indonesian People in Education	Ginanjar Agung Rahmadi & M. Pudjihardjo, 2020	Positive
Analysis of the Impact of Fiscal Decentralization on Education Public Service Outcomes (Case Study: DKI Jakarta Province)	Noval Akhmad Huda & Hadi Sasana, 2013	Positive
The Effect of Fiscal Decentralization on Literacy and School Participation Rate in Districts/Municipalities of Central Java Province for the 2010 and 2011 Periods	Mujiyati & Heppy Purbasari, 2014	Positive

Based on the results of the analysis in Table 2 above, it can be stated that out of the five articles collected, four articles showed positive results related to decentralization of taxation in the field of education and one negative article. In 2013 two articles with positive and negative results were received, the following year 2014 two articles with positive research results and in 2020 articles with positive research results. By bringing government services closer to the people and reducing development gaps between regions, decentralization of taxation aims to maximize development implementation and outcomes.

The results of Dayu Larastia and Hendra Saputra's study entitled "Analysis of the Effect of Fiscal Decentralization on Education Accessibility in Indonesia in the Period Before and After Fiscal Decentralization" found that the increase in Regional Original Revenue (PAD), General Allocation Fund (DAU) and Estimates. The Special Allocation Fund (DAK) has been empirically proven to be able to increase district / city government spending on education. It has been empirically proven that increased district government spending on education increases the provision of regional education. Empirically it has been shown that fiscal decentralization policies can improve access to education in society [3]. Research conducted by Solechah entitled "The Impact of Fiscal Decentralization on Public Service Outcomes in Education (Case Study: Central Java Province)" found that fiscal decentralization calculated based on the ratio of total district / city expenditure to total provincial expenditure had a negative and insignificant effect on school enrollment rates [9].

Another research conducted by Ginanjar Agung Rahmadi & M. Pudjihardjo entitled "The Effect of Fiscal Decentralization on the Welfare of Indonesian People in the Field of Education" found that the Special Allocation Fund (DAK) has a positive and significant influence on the Average Length of Schooling, and Education Function Expenditure has a positive and significant effect on the Average Length of Schooling [10]. Furthermore, research conducted by Noval Akhmad Huda & Hadi Sasana entitled "Analysis of the Impact of Fiscal Decentralization on Public Service Outcomes in Education (Case Study: DKI Jakarta Province)" found that fiscal decentralization has a positive and significant influence on school graduation rates [11]. Finally, research conducted by Mujiyati & Heppy Purbasari entitled "The Effect of Fiscal Decentralization on Literacy Rates, and School Participation Rates in Districts / Cities of Central Java Province for the 2010 and 2011 Periods" Fiscal decentralization can explain the literacy rate of 28.3% which means that the allocation of fiscal decentralization can motivate children aged 7-15 years to be able to read and write. Meanwhile, based on other calculations, fiscal decentralization can explain the school enrollment rate of 4.3%, which means that the allocation of fiscal decentralization can motivate children aged 7-15 years to attend 9 years of basic education [12]. From these results, it can be seen that decentralization of taxation has a positive effect on various elements of the education sector, especially improving the quality of human resources, especially students who are the core of education quality.

The management of education at all levels outside higher education (elementary, junior high, high school) is the responsibility of local governments based on fiscal decentralization policies. Significantly, local governments are responsible for almost all aspects of education (except curriculum and standard-setting, which are the responsibility of the central government). The implementation of the decentralization system, which came into effect in 1999 based on Law No. 22 on Regional Government Autonomy, had an impact on the implementation of education administration which provided wider space for education administration to develop strategies in tiers. to survive in the era of competitiveness to compete competition. Compete and achieve quality and independent educational outcomes [13]. The purpose of regional independence is to carry out decentralization of taxation, especially to support regional development and growth as well as the implementation of excellent public services. The achievement of this aspect of independence allows the region to maximize its potential optimally [14].

Fiscal decentralization is at the core of effective implementation of regional autonomy. Through fiscally responsible decentralization, city governments can promote economic growth and the well-being of their citizens [14]. Fiscal decentralization is at the core of effective implementation of regional autonomy. Through fiscally responsible decentralization, city governments can promote economic growth and the well-being of their citizens [1]. The decentralization strategy will have a major impact on the advancement of education. There are at least four positive impacts of decentralization policies in the field of education, including: (1) Improving quality, namely through giving more authority to schools that allow schools to be more free in managing and utilizing their resources, (2) Financial efficiency that can be achieved by utilizing local tax revenues and reducing operational costs, (3) Administrative effectiveness that reduces bureaucratic links by eliminating multi-layered procedures, and (4) Expansion and equity, providing opportunities for education in remote places so as to enable education to be expanded and equitable [13].

## 4. CONCLUSION

Fiscal decentralization has important implications for improving the quality of education. This is shown from the results of the analysis conducted, which showed that out of five research articles received, four got positive results about the decentralization of financial policies in the education sector. Decentralization of taxation has a positive and significant effect on school completion rates, accessibility of education in the community, average length of schooling and literacy motivation of children aged 7-15 years. Based on the results of several previous studies, it can be seen that fiscal decentralization policy has a positive effect on several aspects of education that contribute to improving the quality of education.

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