

# Financial Capacity of Indonesian Schools and Community Learning Centers in Kota Kinabalu: A Comparative Analysis

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## ABSTRACT

This study aims to analyze the financial capacity of Indonesian Schools (SIKK) and Community Learning Centers (CLC) in Kota Kinabalu, focusing on the comparison of resources and financial management strategies. The research was motivated by the fundamental differences in access to and management of funds between these two types of educational institutions, which potentially impact the quality of education provided. A qualitative research approach was employed, with data collected through in-depth interviews, observations, and analysis of financial documents from SIKK and CLC. The data were analyzed using thematic analysis techniques to identify key patterns and differences in financial capacity between the two institutions. The findings reveal that SIKK has a more stable and structured financial capacity compared to CLC, which often faces uncertainties in funding. This instability is attributed to CLC's reliance on inconsistent funding sources, while SIKK benefits from greater government support. These findings highlight the need for a more sustainable and equitable funding model for CLCs to ensure their ability to provide quality education. The implications of this study suggest that improving financial capacity and better management in educational institutions can significantly impact the delivery of more equitable and high-quality education. Stakeholders, including the government and non-governmental organizations, should consider these recommendations in future educational policy planning.

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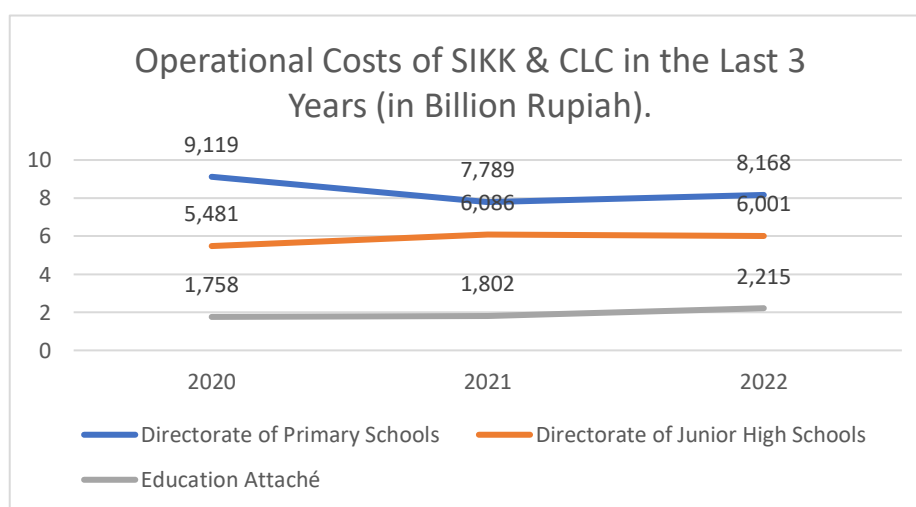
## 1. INTRODUCTION

Education is one of the fundamental pillars of national development, as mandated in the Preamble of the 1945 Constitution, which states the state's goal to "educate the nation's life". This statement emphasizes that education is not only a basic right that must be fulfilled by the state, but also a strategic means to build a prosperous and highly competitive society in the global arena. Without quality and equitable education, national development goals will be difficult to achieve, as education is the foundation for the formation of superior human resources. However, Indonesia's achievement of the Human Development Index (HDI) in 2022 still shows significant challenges. Based on data from the United Nations Development Program (UNDP), Indonesia is ranked 114 out of 191 countries, an achievement that is far from satisfactory. The HDI, which measures the quality of human life based on indicators such

as education, health, and income, puts Indonesia at a competitive disadvantage compared to other countries in the middle-income category. For example, Uzbekistan is ranked 101st and Palestine 106th, showing that Indonesia is still lagging behind in several aspects of human development.

The education system in Indonesia is divided into three main levels: basic education, secondary education, and higher education, which aim to advance the overall development of society (Fuad, 2005). Basic education receives special attention from the government because it serves as the foundation for the development of children and the nation. Article 31 paragraphs 1 and 2 of the 1945 Constitution affirms that every citizen has the right to education and must attend basic education funded by the government. This obligation applies not only to citizens living in the country, but also to those abroad. Malaysia, the main destination for Indonesian migrant workers, hosted around 1.7 million legal migrant workers by the end of 2020 (Bank Indonesia, 2020). The children of these migrant workers, while abroad, are entitled to basic education services equal to those of children in Indonesia. To fulfill this obligation, the Indonesian government established Sekolah Indonesia Luar Negeri (SILN), including Sekolah Indonesia Kota Kinabalu (SIKK) in Sabah, Malaysia, which was established through a bilateral agreement in 2008. SIKK aims to provide quality and equitable education for Indonesian children in Sabah, in line with the commitment to ensure that all Indonesian citizens, regardless of location, have the right to proper education.

Sekolah Indonesia Kota Kinabalu (SIKK) located in Sepanggar, Kota Kinabalu, Sabah, Malaysia, occupies 15,823 m<sup>2</sup> of land and is recognized as a private educational institution with registration No. XVSF01, which requires renewal every five years by the Malaysian Government. Established under Minister of National Education Decree No. 094/O/2008, SIKK serves as an important education center for Indonesian children in Sabah and Sarawak. In addition to providing formal education, SIKK also acts as a mother school that coordinates education services in 156 Community Learning Centers (CLCs) spread across the two states. SIKK and its network of CLCs serve approximately 22,786 Indonesian children, the majority of whom are children of migrant workers (TKI) working in Malaysia. These children, who often do not have access to education in Malaysian schools due to lack of documents and legal status, receive educational opportunities through SIKK. This makes SIKK a very important institution in ensuring that Indonesian children in Sabah and Sarawak continue to have the same educational rights as other children in Indonesia. This can be seen in Figure 1 below :



**Figure 1.** Operational Costs of SIKK and CLC in the Last Three Years (SIKK, 2022)

To support its operations, Sekolah Indonesia Kota Kinabalu (SIKK) receives significant funding, reaching more than IDR 15 billion annually, the majority of which is allocated to support the operations of Community Learning Centers (CLCs) in Sabah and Sarawak. These funds are fully sourced from the

Ministry of Education, Culture, Research and Technology's budget, with annual allocations reaching IDR 17,933,603,000 in 2020, IDR 15,679,443,634 in 2021, and IDR 16,441,337,000 in 2022. The management of these large funds requires careful planning, wise utilization, and accurate reporting to ensure the effectiveness of the education programs being run. However, despite the substantial funding available, further development still faces obstacles due to limited additional funding.

Financial management in SIKK is not limited to one school but covers the entire network of CLCs in Sabah and Sarawak. SIKK is given a broad mandate, equivalent to the role of the education office at the district or provincial level in Indonesia, to oversee the implementation of the 9-year compulsory education for school-age children of Indonesian citizens in Malaysia. In this context, SIKK's management goes beyond school management to include the overall supervision and management of basic education for Indonesian children in the region. This responsibility demands extra attention to financial management practices to ensure all resources are used optimally and transparently.

Previous research has highlighted the importance of financial management in improving access and quality of education in various educational institutions. For example, adequate funding for school facilities such as lunch and health services can bring significant benefits to educational institutions and the country as a whole (Cohen et al., 2021). In addition, some studies emphasize the impact of teacher funding on student achievement (Marchand & Weber, 2020) as well as the need for increased funding in rural areas to improve access to education (Knight, 2019). However, there is a void of research focusing on organizational capacity and financial management in school contexts involving two countries, such as Sekolah Indonesia Kota Kinabalu (SIKK) and Community Learning Centers (CLC) in Malaysia. Therefore, this study aims to explore and analyze the financial capacity of SIKK and CLC in Sabah, which is expected to provide important insights for financial management in schools that are in an international and cross-border setting.

This research is motivated by the lack of in-depth studies on the financial capacity of educational organizations operating in an international context such as SIKK. This study will utilize organizational capacity theory to analyse how SIKK and CLC manage their financial resources to achieve educational goals for Indonesian children in Malaysia. The results of this study are expected to not only enrich the literature on financial management in education, but also provide practical guidance for education managers facing similar challenges in a global environment. As such, this research is of high significance in helping to strengthen cross-border education finance and management capacity.

## 2. METHODS

This research uses a qualitative approach with a descriptive-comparative design to explore and analyze the financial capacity of Sekolah Indonesia Kota Kinabalu (SIKK) and Community Learning Centers (CLC) in Sabah, Malaysia. This approach was chosen as it provides flexibility in understanding the complexities of financial management in two different educational contexts. Using a descriptive approach, this study aims to systematically and factually describe how these two types of institutions manage their financial resources. Comparative analysis will be used to compare the financial management strategies between SIKK and CLC, which will provide insight into the differences and similarities in their financial practices.

The qualitative method was chosen because it suits the purpose of the study, which is to explore an in-depth understanding of the management of financial capacity in SIKK and CLC. This method allows the researcher to capture the nuances and complexities of the behaviors and decisions made by financial managers in these institutions. Qualitative methods allow researchers to observe and analyze how specific contexts, such as local policies and socio-economic conditions, influence financial management practices. It also facilitates the collection of richer data, which can provide deeper insights into financial management challenges and strategies.

Participants in this study were selected based on their key roles in financial management in SIKK and CLC. Key participants included the principal, vice-principal, counseling coordinator, vice-principal of curriculum, vice-principal of facilities and infrastructure, and the treasurer and head of TU of SIKK, all

of whom have direct responsibility for financial management and reporting. The selection of participants was based on their experience in managing financial resources, their involvement in decision-making and their role in implementing financial policies. In addition, informants from outside the school, such as the education and cultural attaché, the Consulate General's social office, and the CLC management, are also selected to provide additional perspectives on financial management in cross-border education settings.

Qualitative data will be collected through semi-structured interviews and direct observation. Semi-structured interviews were chosen to provide flexibility in exploring topics relevant to the research focus, while allowing participants to share their views and experiences in depth. These interviews will include questions about financial management strategies, challenges faced, as well as ways of overcoming existing constraints. Direct observation will also be conducted to observe financial management practices in the field, providing contextual data that supports the interview results.

The data collected will be analyzed using thematic analysis techniques. The first step in the analysis is to conduct initial coding of the interview and observation data. These codes will then be categorized based on relevant themes, such as financial management strategies, challenges faced, and differences in management approaches between SIKK and CLC. Once the themes are identified, the researcher will analyze the patterns and relationships between the themes to gain a deeper understanding of the financial capacity of the institutions under study.

To ensure the validity and reliability of the data, this study will use method triangulation by combining the results of interviews and observations. This triangulation aims to ensure that the data obtained is accurate and reliable. In addition, the researcher will conduct member checking by asking participants to review and confirm the initial interpretation of the data they provided, thus ensuring that the interpretation matches the reality they experienced. The researcher will also maintain transparency in the data analysis process by documenting each step in detail, so that the research results can be verified and replicated in the future.

### 3. FINDINGS AND DISCUSSION

This research reveals the challenges and practices in financial management at Sekolah Indonesia Kota Kinabalu (SIKK) and Community Learning Centers (CLC) in Kota Kinabalu, Malaysia. School principals play an important role in managing finances but they face constraints such as funding delays, inadequate record keeping and the need for better technology. Financial management practices involving planning, implementation and reporting are critical to maintaining the sustainability and accountability of these schools.

#### 3.1 *The Principal's Role and Evaluation of the Principal's Role in Financial Management*

School principals have important responsibilities in school financial management. As stated by Yahya (2013), the principal serves as the highest leader who must organize, control and report on financial activities. Principals in SIKK are not only responsible for administrative and academic aspects, but must also ensure sound financial management. As the highest leader in the school, they are expected to have adequate managerial skills to manage the budget and available financial resources. This study is consistent with the findings of Mamabolo (2020), who emphasized the important role of school principals in improving the quality of education through good financial management.

The principal's role as a leader in financial management is very important. The research findings show that principals in SIKK have the main responsibility for planning and implementing the budget and ensuring that funds are used in accordance with the plan. However, principals often face difficulties in effectively monitoring and evaluating finances, especially in the midst of limited resources and a lack of specific training. This is in line with the views of Mintzberg (1973), who emphasized the importance of managerial skills in managing organizations.

School principals need to be provided with more in-depth training on financial management and tools that can assist them in planning and reporting. This training should include the use of information technology, effective reporting techniques and an understanding of relevant financial regulations. This

is in line with the findings of Cheng et al. (2007), which showed that comprehensive managerial training can improve principals' financial management capabilities.

### **3.2 Financial Management Practices in SIKK and CLCs**

Financial management in SIKK and CLC includes planning, implementation, and reporting. Lusthaus (2002) states that good financial management involves careful planning, effective implementation, and close monitoring. In SIKK, financial planning is conducted on an annual basis with the involvement of the entire management team. However, there are differences in the mechanism of operational assistance from various units in the Ministry of Education, as explained by Akadira (2009). For example, assistance from the Kuala Lumpur Education Office follows a reimbursement system, while assistance from the Directorate General of Education is processed through proposal submission. This adds to the complexity of financial management. In summary, financial management practices in SIKK and CLCs show significant differences in terms of planning, implementation and reporting. SIKK tends to follow more formal and structured practices, while CLCs often rely on more flexible and ad-hoc methods. Research by Jensen and Meckling (1976) emphasizes the importance of a clear organizational structure in financial management to achieve optimal efficiency.

### **3.3 Financial Planning and Budgeting**

Financial planning is a crucial element in ensuring effective and efficient use of funds. Based on the findings, financial planning in SIKK tends to follow a traditional model that often does not reflect the needs and dynamic changes that occur in the field. This is in line with the argument of Williamson (1985) who emphasizes the importance of financial planning that is adaptive and responsive to change. In SIKK, financial planning is usually done with a more systematic approach, following established procedures. In contrast, CLCs often take a more improvisational approach to planning, which can lead to uncertainty in fund management. The literature suggests that systematic and data-driven planning is more effective in managing budgets (Kaplan & Norton, 1992). Therefore, SIKK can be a good example in implementing better planning practices for CLCs. In general, the beneficiary process flow mechanism in SIKK is depicted in the following distribution scheme chart below (Figure 2).

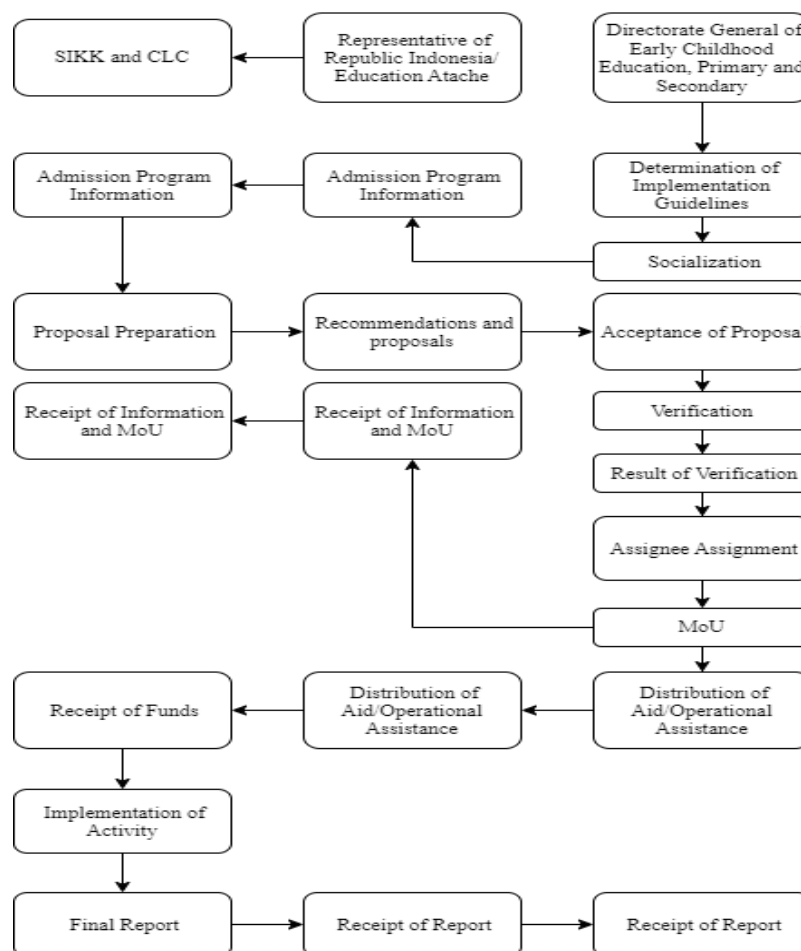


Figure 2. Flow of Operational Assistance (SIKK, 2022)

First, the establishment of guidelines for the implementation of assistance. Second, the Directorate of Elementary and Junior High School provides information through the Government Representative of the Republic of Indonesia abroad/Educational and Cultural Attaché of the Republic of Indonesia about the plan to provide assistance. Third, Representatives of the Government of the Republic of Indonesia abroad/Educational and Cultural Attaché of the Republic of Indonesia socialize assistance to schools. Fourth, the Representative of the Government of the Republic of Indonesia abroad/Educational and Cultural Attaché of the Republic of Indonesia proposed schools for prospective beneficiaries. Fifth, SIKK prepares and submits proposals that are approved/endorsed by the Government Representative of the Republic of Indonesia abroad/Educational and Cultural Attaché of the Republic of Indonesia. Sixth, the Directorate of Elementary and Junior High School receives proposals from SILN. Seventh, the Directorate of Elementary and Junior High School verifies the SILN and CLC data of prospective beneficiaries. Eighth, the Directorate of Elementary and Junior High School determines SILN and CLC beneficiaries. Ninth, Carry out the signing of the letter of agreement. Tenth, Distribution of aid funds. Eleventh, SIKK and CLC recipients carry out the use of assistance. Twelfth, SIKK sends a report on the use of aid fund accountability. The value of assistance provided is adjusted to the number of teachers and students.

Financial management at SIKK, like in other organizations, begins with planning (Akadira, 2009). Financial resources for SIKK and CLC primarily originate from the Indonesian government. However, before disbursing the received funds, SIKK first convenes CLCs to outline their budget utilization plans. These CLCs receive operational assistance funds in cash based on the number of students in each CLC, in accordance with guidelines provided by funders. There are notable differences in the operational

assistance mechanisms provided to SIKK by various units within the Ministry of Education, Culture, Research, and Technology. Operational assistance from the Kuala Lumpur Education and Culture office follows a reimbursement system, while that from the Directorate General of Early Childhood Education, Primary, and Secondary Education is processed through submission proposals. This difference in procedures forces the school to be able to fulfill the requirements of the party providing assistance.

Financial planning is indeed a critical aspect of organizational activities. For organizations to achieve their goals, they must take proactive steps in comprehensive planning to ensure that objectives are met. Successful planning involves implementing stages that align with goals and objectives while minimizing deviations and maximizing final results.

Information informants from Wakasek Curriculum SIKK said that :

*"For each year, we engage in financial planning, followed by implementation, monitoring, and financial evaluation. We compare our achievements with predetermined indicators, assessing the percentage of our success. Then, we reflect together. For instance, let's consider our national examination program. It's not automatically implemented; it's not a database-driven process."*

This is also based on informant information from international facilitation saying that :

*"The institution of Pauddikdasmen, as we did in the past, ensures that every CLC establishment has certification from Pauddikdasmen. The strategic or annual plan for the development of this school should be institutionally included in Pauidkdasmen. There should already be a program implemented the following year, usually with representatives or the school itself, about what will be done next year. In connection with the opening of a new CLC, the representative who submitted could predict that for the next 5 years there will be 100 needs based on benchmarking in the field. For the next 5 years, we anticipate establishing 100 CLCs. However, for example, this year, we may start with just 10 or 5 initially. These initial CLCs will undergo verification by Pauddikdasmen to determine which ones are worthy of establishment. This verification process is also related to the targets set by representatives or the school. Subsequently, planning will involve calculating the provision of teaching teachers by the Directorate of Teachers and Education Personnel. This aspect should have been planned in advance, with coordination meetings, workshops, and so on."*

Not much different from the information provided by the informant from the Deputy Head of Facilities and Infrastructure at SIKK, who stated that,

*"If that's the case, I don't know. Usually, there is a plan. SIKK and CLC managers are invited to compile a Detailed Cost Budget (RAB), which is later submitted to the TU. Perhaps there, they match the existing needs themselves, whether it meets the standard or not. In the planning process, there is financial calculation involved. If it is not appropriate, usually adjustments are made. There is a financial RAB, something like that, mentioning the nominal amount for AC repair as stated in the budgeting plan."*

Information informants from the SIKK Counseling Guidance Coordinator say similar things that,

*"The burden falls on the teacher, who is also appointed as a manager in the field. Simultaneously, they have to fulfill their duties as teachers, create reports for teaching and learning activities, and plan extracurricular activities. They are tasked with financing every activity. They receive the funds and are responsible for reporting on them."*

Planning is the process of deciding which goals to pursue over a period of time and determining the actions needed to achieve those goals, (Terry, 1977). Effective planning relies on facts and information rather than emotions and desires. A planner must be able to envision the proposed activity clearly, and it should not be burdensome, as seen in SIKK, where teachers face the dual responsibilities of planning and financing, as well as reporting. Through planning, one can anticipate, prepare for the unexpected, map out activities, and establish regular sequences to achieve goals. Adequate planning

should precede the activity itself. Reversing the planning process will lead to discrepancies in the results obtained. Planning helps reduce accidental and unnecessary activities.

Based on informant information from the Educational and Cultural Attaché, said that :

*"... involves the management of significant funds. We approached the ministry to address financial management issues because the principal lacked commitment as an official decision-maker. However, the principal carried a heavy burden of fund management without adequate support. The signatory responsible for providing a Statement of Absolute Responsibility (SPTJM) is the principal, thus the funds are directly managed by the school. The capacity of school leaders to enhance financial management within the school requires attention..."*

This is in line with research that mentions the positive influence of the capacity and accountability of principals in school financial management (Tran et al., 2021).

Similarly, information was obtained from the Head of TU and the Treasurer of SIKK's Cash, saying that,

*"Initial data collection is carried out for planning purposes. Teachers are asked for data and directly discuss with the management team. Teachers inquire about the availability of infrastructure, while students plan the activities to be carried out. The SIKK management team draws up the budget, which is then summarized for the CLC within SIKK. Afterward, it is presented, and the amount we submit is reviewed again, adjusted to the budget availability in the ministry. Sometimes, we are unaware of the budget availability in the ministry. For example, if the need is for 9 billion for elementary school, it turns out that we receive only 4.5 billion, and some proposals are still pending approval. We are uncertain when the proposal will be approved, and we are the ones who have to explain the situation to the CLC manager."*

### **3.4 Implementation of Financial Management**

The Ministry of Education and Culture, along with the Ministry of Research and Technology, also provides educational operational funds through attaches. The problem arises when the assistance received by SIKK and CLC leads to asset acquisition, but these assets are not recorded at the KJRI. Asset recording has implications for maintenance; institutions that record assets also have the obligation to maintain and preserve existing assets. Recording assets is crucial because funds for maintaining and preserving existing assets must also be allocated.

Human resources responsible for managing incoming funds and assets must possess the necessary skills to handle these tasks. In SIKK and CLC, these human resources are often teachers who also serve as treasurers and CLC managers or administrative staff. Enhancing the proficiency of administrative personnel who handle financial administration is essential. Additionally, it's worth noting that these financial management personnel are typically teachers who receive work permits as technical staff from the local government. It's important to mention that, according to local government regulations in Malaysia, administrative personnel must be Malaysian citizens.

As the researcher got from the treasurer's informant and the head of TU SIKK said that,

*"The institution responsible for finances plays a crucial role. SIKK, entrusted with this responsibility, must ensure clear accountability, from planning to subsequent reporting on all school-related matters. We advocate for more intensive dialogue to address all issues transparently. Secondly, SIKK should receive special consideration, not bound by the regulations applicable in Indonesia. Schools overseeing CLC for elementary and junior high school children deserve unique treatment, considering various factors such as curriculum, finance, students, and other specifics that require discussion. For instance, financial distributions should ideally be facilitated through the Ministry of Finance account. However, such a process may not be feasible here. If the institution allows it, using personal accounts would be against regulations, as cash transactions violate protocols, especially considering that each CLC receives 80,000 ringgit. Because there is no special treatment, if individual accounts are allowed, how is the system built for the school, so*

*that the money is not deposited at home in so large, but in the bank with the knowledge of two people to take, then contract, the special treatment just now."*

SIKK has become mandated as the institution responsible for budget management, encompassing planning, utilization, and financial reporting. The individual tasked with financial management must possess the capability to plan, identify funding sources within the organization, manage these resources, conduct calculations, and handle financial reporting, (Lusthaus, Charles, et., 2002). The Directorate of Elementary and Junior High School, under the auspices of the Ministry of Education, Culture, Research, and Technology, which provides oversight to SIKK in institutional matters, is expected to make improvements guided by the Bureau of Cooperation and Public Relations of the Ministry of Education and Culture and Technology.

To find out if the schedule for receiving funds for teaching and learning activities in SIKK and CLC, researchers received information from informants from the KJRI Social Service, saying that,

*"For CLCs experiencing delays in funding receipt, the source of CLC operations in the field becomes uncertain. Additionally, this assistance is not provided directly to individual students but rather in the form of activities."*

The information obtained by the researcher is in line with informants from CLC Manager Hanim, saying that,

*"Many children are behind in school payments; some are one year overdue, some are up to 3 years, and some are up to 6 years. Out of 200 students, only 60 are paying students. On the other hand, rent must be paid for the building, which means that the management bears the cost of building rent. There are two types of CLCs, Field and Non-Field, and in Sabah, all are treated equally without distinguishing between CLCs."*

Financial resources are the assets required to cover short- and long-term expenses incurred by organizations (Shick, 1993). In 2021, the focus was on two main units at the first echelon level of the Ministry of Education, Culture, Research, and Technology. Operational assistance funds for SIKK and CLC were received midway through the year. This affected SIKK and CLC, which had to manage funds for teaching and learning activities that had been ongoing since the beginning of the year. Some activities took place before the operational assistance funds were received by the school, resulting in a negative impact on the school. SIKK and CLC must continue operations for that duration, and operational funds must be accounted for before the end of the current year. This will pose a challenge for SIKK and CLC. On one hand, the distribution occurs in the middle of the year, yet financial reporting schedules are still carried out at the end of the current year. Proposals from SIKK and CLC should allocate operational funds specifically for the academic year to avoid interference with the teaching and learning process.

Information teacher informant at CLC Lumadan Beaufort said that,

*"... CLC teachers end up being paid student dues. While student dues are not enough, ultimately it is the manager who spends the funds, not the CLC teachers, ...."*

This information is in line with informants from the Educational and Cultural Attaché saying that,

The financial management system must be established first; at this time, it seems inadequate. Assistance can fluctuate depending on whether the proposal has been included in the fixed Budget Implementation List, such as if SILN can be listed in DIPA. Meanwhile, CLC is still currently assisted under the proposal, depending on its struggle here. Like SIKK, operational costs should be calculated. Therefore, a financial management mechanism must be established, which embodies good governance and allows for effective financial management, including the necessary tools. For operational assistance, the KJRI only signs, and the principal manages the funds. If the principal is not competent, there can be misappropriation.

Financial management encompasses financial planning, financial accountability, financial statements, and the financial system itself (Lusthaus, Charles, et., 2002). Research by (Aina & Bipath, 2020) requires strengthening parents and stakeholders in maintaining financial management capabilities in education units. This is in line with what is needed, namely the capacity of financial management in SIKK and CLC.

The data obtained indicates that SIKK does not yet have a comprehensive and intact financial management system. One aspect is the need for improvement in SIKK principals' financial management skills, in line with the findings of Myende et al. (2018), which underscore the necessity of enhancing organizational leaders' abilities in financial management. As the head of the school organization, the principal should be the driving force behind financial administration, encompassing planning, implementation, and reporting. Another issue identified was that the CLC operational assistance funds had not been directly included in the Ministry's DIPA. Additionally, digital technology has not been maximally utilized in planning, distributing, and reporting the provided operational funds. The picture above illustrates how SIKK can effectively manage education finances in Sabah and Sarawak despite lacking adequate financial capacity. Although SIKK and CLC institutions are eager to implement accountable and transparent financial management, challenges persist.

The implementation of financial management in SIKK and CLC often suffers from delays in funding and lack of accurate records. Referring to research by Simons (1995), effective financial management requires continuous monitoring and a transparent reporting system. Financial implementation at SIKK is often conducted with stricter procedures, but reporting is often delayed. In CLCs, while reporting may be faster, financial management practices are often less structured. Research by Anthony and Govindarajan (2007) suggests that strict oversight and accountability are essential in managing funds. Adopting better supervisory practices and accurate record-keeping systems will go a long way in improving the quality of financial reporting. The findings of this study indicate that poor management in terms of reporting and accountability can have an impact on school performance. Therefore, financial management systems should be developed to ensure greater transparency and accountability.

### **3.5 Challenges in Financial Management**

Funding delays pose significant challenges for SIKK and CLC, as receiving funds outside of the planned schedule disrupts operational efficiency and educational planning. The impact of such delays is supported by research, such as Iqbal (2021), which highlights that uncertainty in funding can adversely affect the quality of education services. To mitigate this issue, it is recommended to improve the fund disbursement process and establish reserve funds to manage delays.

Inadequate financial recordkeeping also impedes effective oversight and accountability, potentially leading to delays and inaccuracies in financial reporting. Nair and Kline (2009) emphasize that a robust record-keeping system is crucial for making sound financial decisions. To address this, SIKK and CLC should consider adopting advanced record-keeping systems and creating clear guidelines to ensure consistency and accuracy in financial records.

The integration of digital technology into the planning, distribution, and reporting of operational funds remains limited. Myende et al. (2018) stress the importance of equipping financial managers with technological skills to enhance financial management. Implementing technology-based systems for managing finances would improve both transparency and efficiency, as suggested by Lee and Johnson (2017).

Additionally, comprehensive and proactive financial planning is not always consistently implemented. Insights from the Deputy Head of Curriculum and the Deputy Head of Facilities and Infrastructure at SIKK highlight a need for more detailed and coordinated planning processes. According to Terry (1977), effective planning relies on accurate data and information. To improve financial planning, it is recommended that SIKK and CLC conduct thorough training sessions on financial planning and involve all relevant stakeholders in the planning process.

### 3.6 Recommendations and Implications

Strengthening training for principals and administrative staff in financial management is crucial. Improved training can enhance their skills in financial planning, implementation, and reporting, leading to more effective management practices. This aligns with the findings of Chi et al. (2011), which demonstrated that financial management training contributes to better organizational performance.

Enhancing financial recording and reporting systems is also essential for improving accuracy and transparency. By adopting advanced, technology-based financial management systems, schools can address issues related to inadequate record-keeping. Brown and Caylor (2006) emphasize the importance of robust reporting systems for maintaining accountability, making this an important area for development.

Improving the mechanisms for fund disbursement and establishing reserve funds to mitigate delays is another important step. A more efficient disbursement process can help minimize the disruptions caused by funding delays, ensuring smoother operations for schools and CLCs. This approach is consistent with the recommendations of Pfeffer and Salancik (1978), who highlighted the need for timely resource management to maintain operational efficiency.

Implementing a technology-based financial management system can greatly enhance efficiency and transparency in managing funds. This would also support more effective financial planning, making it easier to allocate resources appropriately. Ahrens and Chapman (2004) support this recommendation, emphasizing the role of information technology in improving financial management processes.

Based on the findings from this study, it shows that there are significant differences in financial capacity between SIKK and CLC in Kota Kinabalu, with challenges faced related to financial planning, implementation, and reporting. To improve financial management, it is recommended that school principals receive better training, recording and reporting systems are improved, and information technology is implemented more effectively.

These recommendations aim to help SIKK and CLC overcome existing challenges and improve their financial capacity, which will ultimately contribute to improving the quality of education and community services. Implementing these recommendations is expected to result in significant improvements in financial management that will support education goals in Kota Kinabalu.

## 4. CONCLUSION

The study's main findings reveal significant disparities in the financial capacity between Indonesian Schools (SIKK) and Community Learning Centers (CLC) in Kota Kinabalu. SIKK tend to have a more structured and reliable funding mechanism, largely due to government support, whereas CLCs often rely on inconsistent funding sources, leading to financial instability. These findings are crucial as they highlight the need for a more equitable distribution of financial resources to ensure that all educational institutions, regardless of their type, can provide quality education. Strengthening the financial capacity of CLCs is particularly important because they serve as vital access points for marginalized communities.

Based on these findings, it is recommended that a more sustainable and transparent funding model be established for CLCs, potentially through increased government support or partnerships with non-governmental organizations. Such actions could mitigate the financial challenges faced by these institutions, allowing them to improve their educational offerings. The broader implications of this research suggest that enhancing the financial management and administrative capabilities of educational institutions is vital for improving overall educational quality. These findings could inform policy decisions and encourage a more strategic approach to financial planning in the education sector, ultimately contributing to more equitable educational outcomes.

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