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Legal Entity Universities**

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Indonesian Higher Education: The Chronicle, Recent Development and The New Legal Entity Universities

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Abstract

This paper reviews and presents the concise history of higher education Indonesia from pra-colonial period to the latest era when the Government of Republic Indonesia proposed the Educational Legal Entity Bill and the Law on National Education System.

Keyword: higher education; Indonesia; history, legal entity.

JEL classification numbers: I210, I280.

1 The Concise Chronicle

The chronicle of Indonesian higher education initiated by pesantren that provided Islamic education before the colonial period (Wahid, 2001 in Buchori and Malik, 2004). Considerable evidence suggests that some of the graduates from advanced level in pesantren were accepted at the post-graduate level al-Azhar university in Cairo. However, (Buchori and Malik, 2004) admitted that the non formal and less structured Islamic higher education system in that era is incompatible to distinguish to the standards in the rest of the world.

Pesantren learning and teaching system was delivering by the kiyai or ulama¹. Despite the system has a different structured with the secular system but it has a certain stage of learning. In the initial stage, students were taught to read the whole chapter of Qur'an. Subsequently, the students have to study the Arabic language as the language is the key to all books in Indonesia as they were written in Arabic. At this stage, the students were also introduced to syariah (rules and regulation), theology and other principal knowledge.

The colonial period of Indonesian higher education is commenced when the Netherlands East Indies¹ establish a medical school to educate prospective native doctors in 1851 (Buchori and Malik,

¹It refers to the educated class of Muslim legal scholars engaged in the several fields of Islamic studies (Zaman (2002) in <http://en.wikipedia.org/wiki/Ulema>).

2004). In 1902 the school evolved to School Tot Opleiding Van Indische Artsen (SLOVIA or school to training of Indian doctors) and later Geneeskundige Hogeschool (GHS or medical high school). In 1920, a private group of Netherlanders establish an engineering college (Technische Hogeschool) in Bandung, West Java. In 1924 the school was took over by the Netherlands East Indies government and it became a government institution. Subsequently, followed by the establishment of LHS (Landbouwkundige Hogeschool) an agricultural school in Bogor and the law school RHS (Rechtskundige Hogeschool) in Batavia (Jakarta). The establishment of the higher education at that time was to prepare professionals to fulfil the lack of civil engineer, lawyers, medical doctors and other professionals due to the shortage cause by World War I.

The development of higher education in colonial period is the impact of implementation of the Ethical Policy (Ethische Politiek)¹ in 17 September 1901 as it mentioned by the Queen of Wilhelmina as moral duty of the Netherlands to combat the poverty and improve the welfare of people in colonial Indonesia (Eng, 2004).

However, until the beginning of 1940's the access of native or indigenous Indonesian student to the higher education were extremely limited in general. According to Thomas (1973) that the percentage of native Indonesian student who did matriculation is only about 45 percent, whereas proportion of Europeans students reach 32 percent and about 2.5 percent were Chinese students. On the other hand, the proportion of Indonesian who lived in the islands were about 96 percent, 1.5 percent were Europeans, and 2.5 were Chinese².

Furthermore, the total proportion of graduated native Indonesian student between 1920 and 1940 were about 43 percent, whereas Europeans students were 32 and 23 percent were Chinese. The above historical data obviously show that the access of Indonesian student to the higher education at that time were a very restricted compare to Europeans and Chinese. Buchori and Malik (2004) argue that there are two majors barrier of the access for native Indonesian to he higher education at the colonial period. First, The strict social stratification that implemented by the Netherlands Indies government whereas the Dutch and other Europeans at the highest level. The next were prominent Eurasian and indigenous aristocracy, Chinese businessmen in the lower level, and some various layers of indigenous Indonesia peoples at the lowest.

In the period of the Japanese invasion between 1942 and 1945, the development of higher education during Dutch era is stagnant (Thomas, 1973). Soon after invaded the east Indies, Japanese closed all formal education . Thomas state that Japanese has three reason to banned the higher education at that period. First, most text book is in Dutch, a language that prohibited by the Japanese. Second, most of the lecture is Dutch as they could not speak and write in Japanese. Third, correspondent to the Japan's mainframe politic that treat Indonesian in their subordinate role. Hence, higher education is inappropriate for the "younger brother" whereas, the Japanese, the older brother should be more wiser.

²The proportion of Chinese population was estimated by Furnivall (1944) in Thomas (1973). The proportion of Europeans was estimated by Van Der Kroef (1954) in Thomas (1973).

In the period from the nation's independence in 17 August 1945 to the age of parliamentary democracy, 1949, Indonesian higher education has gained some impression development. First, there are two new secular universities and one Islamic university were established; Gadjah Mada University, University of Indonesia. The concept and the system of those secular and Islamic universities is a copies from the Dutch and Egypt model respectively. Second, the number of enrollment increased from 1,600 to 5,200 students from 1945 to 1950 (Buchori and Malik, 2004). Third, there are two pioneers private universities were established; National University in Jakarta, 1949 and Indonesian Islamic University in Jogjakarta, 1946.

In the period of the age of parliamentary democracy between 1950 and 1959 the number of universities significantly increase from 4 universities in 1950 to 135 by 1960, whereas 53 of them were public own universities and 80 were private's. The enrollment rise from about 5,000 in 1950 to more than 108,000 by 1961. Buchori and Malik noted that in this stage the development of the higher education reach the fundamental aspects such as objectives, mission, organization structure, and the system. The system is changed from the European free study approach to the Anglo-American model.

In 1961 the first law on higher education (UU 15/1961) was determined. Tri Dharma Perguruan Tinggi or the mission of national higher education was included in the law. Tri Dharma Perguruan Tinggi encompass three pillars of national higher education; learning, research, and community service. Buchori and Malik (2004) argue that the law contributed to provide the key stages for further higher improvement. The standard of higher education institution was revealed in the law as universities structure grew into more organized.

The first higher education long term strategy from 1975 to 1985 (Kerangka Pengembangan Pendidikan Tinggi Jangka Panjang or KPPTJP) was published by the Directorate General of Higher Education (DGHE) in 1975. The strategy emphasized the need of strong connection between higher education and regional and national development. Moreover, the dual system, academic and professional streams, of the higher education were introduced. The strategy also introduced three program level in higher education; diploma, sarjana (bachelor), and graduate program. The credit system, student academic evaluation, study load, and staff promotion system were actualized to improve the organizational and management aspects (DGHE, 2003).

The second KPPTJP for 1986-1995 period was published by the government in 1985. In 1990, government published a new Government Regulation No. 30 in 1990 (PP No. 30/1990), however, the outcome did not meet the government's expectation. The government claimed that the failure caused by inadequate public and political support. The government also blamed the drop of oil price for the slow expansion of the enrollment rate. However, the enrollment to the private institutions were steadily increased 9 percent per year (DGHE, 2003).

According to Soehendro (1995) the third KPPTJP 1996-2005 focused on three core programs; implementation of the new paradigm in higher education management, improvement of relevance and quality, and geographical and social equity. The economic crisis in 1997 followed by the

Table 1: The Numbers of Indonesian Higher Education Institutions in 2004.

No.	Forms	Public	Private
1	academies	-	715
2	polytechnics	25	89
3	advanced schools	-	1043
4	Institutes	10	43
5	Universities	46	345
	Total	81	2235

instability of politic and economic is believed by the government as the main factor that failure the centralism strategy and the implementation of three core programs (DGHE, 2003).

2 The Recent Development

2.1 The institution

Based on the latest law of Nasional Education System 2003 (Undang-undang No. 20 Tahun 2003 tentang Sistem Pendidikan Nasional) there are 5 forms of Indonesian higher education system; academies, polytechnics, advanced schools, institutes, and universities. The law national Education System 1989 stated that Academies are higher education institutions that provide only one particular applied science, engineering, or art. Polytechnics are institution that afford applied education on some special knowledge. Advanced schools provide academy's or professional education in one specific knowledge. Institutes are institutions that consist of some faculty on one knowledge discipline. Universities offer training and higher education in various discipline.

Table 1 that is taken from DGHE (2004) shows that higher education schools are mostly owned by private institutions which has 2235 schools. On the other hand, only 81 schools is managed by the government. In 2001, nearly 1.9 million of about 3.4 million students enrolled in private institutions (Buchori and Malik, 2004). Whereas the gross enrollment ratio for tertiary level in 2000 is 14.4 and increase to 17.1 in 2005. According to Nizam(2006), the enrolment rate has increased significantly from about 2 percent in 1975 to more than 13 percent in 2004. Nizam argues that the economic growth and the increasing of global trend in participation rate into higher education were the source of the rapid growth in enrollment rate.

Buchori and Malik (2004) noted that despite the privates has significantly more schools compare to the public, several of them have poor supports to provide a good quality education. Private schools in developed countries have a high quality learning system and environment, however, the opposite condition apply in Indonesia. The private schools in Indonesia is a second choice after

Table 2: The Enrollment of Indonesian Education

Year	2001	2002	2003	2004	2005
Enrolment rate tertiary (higher education)	0.14	0.15	0.16	0.17	0.17
Enrolment rate primary	92.3	92.4	92.5	92.6	92.6
Enrolment rate Secondary	N/A	0.51	0.54	0.55	0.55

public schools for Indonesian prospective students.

2.2 The Enrollment and Access

The enrollment rates in Indonesian higher education steadily increase from 2001 to 2005, from 0.14 to 0.17. In recent 5 years the participation rate of higher education is considerably lower from primary's and seconder's rates. However, the rate of enrollment of Indonesia higher education is still higher than some countries; such as India, Vietnam and Pakistan. Figure 1 also shows that the Indonesian tertiary enrollment rate is lower than some other developing countries, for instance, Mexico, Malaysia, and Thailand. Moreover, the Republic of Korea, one of the countries with Indonesia that was called "the emerging market countries" in 90's, has significantly higher rate than Indonesia. Korea also has a higher rate compare to developed countries; Japan, Australia, and USA.

Based on the National Socioeconomic Survey or (Survei Sosial Ekonomi Nasional or SUSENAS) 2003 the enrollment rate to higher education of students was only 0.17 in 2005 whereas enrollment rate in primary level is 92.6 and 0.55 in secondary level.

Table 3: Enrollment Rate in Indonesia

		Level			
		Primary	Junior Secondary	Senior Secondary	Tertiary
Urban	Male	92.3	72.5	56.9	16.0
	Female	92.0	73.0	55.2	14.9
	M+F	92.0	72.7	56.1	15.4
Rural	Male	92.6	56.2	28.5	2.1
	Female	93	58.8	29.0	2.1
	M+F	92.8	57.5	28.7	2.1
Urban+Rural	Male	92.5	62.6	40.5	8.8
	Female	92.6	64.5	40.6	8.3
	M+F	92.6	63.5	40.6	8.8

According to table 3³, the difference of enrollment rate between urban and rural area in tertiary level (higher education) is the largest. Urban enrollment rate of higher education level is 15.4

³The table is taken from UNESCO (2006), Decentralization of Education in Indonesia: Country Report at the UNESCO Seminar on "EFA Implementation: Teacher and Resource Management in the Context of Decentralization".

whereas only 2.1 percent tertiary school age population who study further into tertiary level. On the other hand, the difference enrollment rate between urban-rural in primary and secondary level was not quite significant.

2.2.1 The Public Universities Admission

Despite there were a steadily increase in enrolment rate in the past five years, access and participation for rural populations and some minority groups still a critical concern in Indonesia (UNESCO, 2003). Moreover, though Indonesia has a large number of private universities, however the competition to study in the public universities is very tight as only small proportions were prevailed. Only 75,000 seats are available whereas the number of students who take the national public university entrance examination reach about 450,000 each year (Nizam, 2006).

As it has been mentioned, the centralized public university admission examination system in Indonesia is highly competitive. The prospective students has to achieve higher score than their competitors. Nizam(2006) argues that the students need access to a high quality senior secondary school and an extra special training in a “private study centre” (*bimbingan belajar* in bahasa Indonesia) to pass the test. Mostly, a high quality secondary school and *bimbingan belajar* are located in urban area and only students from middle and high income families who can pay the extra training. Furthermore, based on the last survey only 3.3 percents students from lowest 20 percent of income groups who successfully pass the test. On the contrary, the proportion of students from highest income quin-tile who get the university seats reach a significant 30.9 percent (Triaswati and Roeslan, 2003 in Nizam, 2006).

Buchori and Malik (2004) noted that most of student who did not pass the public university admission and afterward chose to study at the private university is came from low socio economic background. A potential sustaining of inequality is happened when most of student who succeed to study in public universities is originated from high socio economic family background.

After the new era of higher education when some public universities have transformed to legal entity universities, the admission system is more similar with the private universities’ system. University of Gadjah Mada, one of the first legal public entity university, open an independent admission examination since 2003. This path of admission is similar with the private university admission system as it requires an extra financial contribution. The maximum contribution is 100 million rupiahs for students who enrolled in medicine faculty whereas the faculty that required the smallest contribution is science faculty, 8 million rupiahs.

2.3 Public Expenditure

Despite of low enrollment rate, Indonesia’s government has some pattern with the some developed countries such as Australia and USA in proportion educational expenditure in higher education.

Indonesia proportions of public expenditure in higher education is higher than Japan, Republic of Korea, Mexico, and India. Nevertheless, Indonesia’s public expenditure per person as percentage of GDP per capita is lower than most countries on the table 3. Indonesia merely slightly higher than Republic of Korea. Aside from government expenditure as the main funding of Indonesia higher education, funds from agencies such as World Bank and Asian Development Bank are significant sources of funding.

Table 4: Public Expenditure on Higher Education of Some Countries

	Australia	Indonesia	Japan	Malaysia	R.o.Korea	Mexico	US	India
Public expenditure per pupil as a % of GDP per capita.	22.48	13.27	19.61	93.69	9.34	44.07	26.68	68.57
Educational expenditure in tertiary as % of total educational expenditure	23.92	23.16	16.8	34.99	13.6	16.86	26.25	20.09

The main source of financing of the public universities is from government budget, which is 60 percents, besides the funds from students tuition fees (40 percents). According to government’s calculation, one student in public university needs about US\$2,500 per year to achieve a high quality education, whereas the government just provide US\$1,000 per year averagely(Tadjudin, 2005). Moreover, a student in a public university normally pay the tuition fees from US\$50 to \$500 per year. On the other hand, other student from private university has to present between US\$500 and US\$7,000 per year. This lack of funds argument is promote by the public universities management to open special or extension programmes to enhance their income.

3 The Higher Education Reforms: The New Legal Entity Universities

The Educational Legal Entity Bill and the Law on National Education System that was proposed by the government of Republic Indonesia dictates that the educational process should be manage autonomously. The Bill, if passed and signed by the House of Representative, will reform the formal education system. The fundamentals reform in primary and secondary education is in the managerial process. The government will shift the authority power regard substantial matters

or managerial aspect to the school. The managerial of the school will not be only hold by the headmaster but also will be control by constituents and parents committee.

On the other hand, the bill will decree a significant shifts in the autonomy of managerial and financial aspect from the government to the universities in higher education system (Ministry of National Education, MONE). The government argues that the privatization of public universities is has to be implemented shortly. The government state that implementation of the privatization will affect that the students (or their parents) has to hold responsible of their education in public universities. However, the government claims that there will be scholarships and students loan for low socioeconomic status students.

The government, in the academic document⁴ that accompanied the Educational Legal Entity Bill, believes that the globalization trend and 1997's economic crises are main sources of the urgency of educational reform in Indonesia.

Globalization is claimed by government that caused social inequity in the developing countries. It is also believed that it creates a difficult transition period to become more competitive and more transparent to follow the market system. The economic crises is blamed by the government affects the decline of the household income and government's budget. The decline of household income is follow by the decrease of the educational expenditure of households in low socio economic status.

The limitation the budget force the government to provide more priority in the basic education. Purwadi⁵ (2001) argue that during the crisis, the poor suffered the most and they would decrease their educational expenditures in basic education. The government believes the prior subsidy to the higher education is received by the riches.

Table 4 shows the allocation of educational budget in from 1998 to 1999. The nominal allocation of all level were increased. However, the real budget for higher education drop by 26 percent whereas the budget for basic education raise by 52 percent compare to the previous year as it is confirming the shift of the government educational priority.

Seven years before propose the education legal entity bill to the house of representative, the government announcement a new government regulation (PP 61/1991) to facilitate the plan to transform public universities into the autonomous universities or "state legal entity university" (*Universitas Badan Hukum Milik Negara, or BHMN*) (Nizam, 2006). Four most established public universities- *Universitas Indonesia, Universitas Gadjah Mada, Institut Teknologi Bandung, and Institut Pertanian Bogor*-are requested by the government to initiate the transformation. In December 2000, the four universities formally change to become a new public legal entity universities under the government regulations, which are *PP 152/2000, PP 153/2000, PP 154/2000, and PP 155/2000*.

After the transformation into legal entities, those universities will not get operational costs from government funding as the funding will be provided by a block grant based on their performances.

⁴"*Naskah Academic: Rancangan Undang-Undang Badan Hukum Pendidikan*" in Bahasa Indonesia.

⁵Professor, Research Center of the Indonesian Ministry of Education.

Table 6: Allocation of Education Budget 1998-1999

Educational Level	1996-1997 realization (Rp. million)	share total (percent)	1998-1999 (Rp. million)	share total (percent)	increase in real term (percents)
Primary and Junior Secondary	1,033	33	3,636	52	+56
Senior Secondary	667	22	867	13	-42
Higher Education	999	32	1,661	24	-26
Non Formal	88	3	129	2	-35
Staff Development	145	5	169	2	-48
O & M	158	5	469	7	-32
Total	3,090	100	6,930	100	0

The universities' management were not under the government or the ministry of national education (MONE) anymore as it changed to become more privatize universities.

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