



Contents lists available at ojs.aeducia.org

Indonesian Journal of Research in Islamic Studies

Volume 1, Issue 2 (2024), 10.64420/ijris.v1i2

Journal homepage: <https://ojs.aeducia.org/index.php/ijris>

IJRIS

E-ISSN 3063-4555

P-ISSN 3063-9573

Financial Management in Islamic Boarding Schools (Pesantren)

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ABSTRACT

Background: Islamic boarding schools (pesantren) play a significant role in Indonesia's education system, yet many face financial challenges due to limited and irregular funding sources. Effective and accountable financial management is essential for their sustainability and growth. **Objective:** This study aims to identify and examine the various funding sources utilized by Islamic boarding schools, including student fees, endowments (waqf), donations, grants, school-run businesses, and government assistance. **Method:** The research was conducted in 2024 using a descriptive qualitative method with a library research approach. Data were collected from scholarly journals and expert writings by identifying, categorizing, and critically analyzing relevant literature. The analysis involved qualitative descriptive techniques, theoretical comparison, synthesis, and comparative analysis. **Result:** The findings highlight the importance of strengthening budget planning, oversight, and evaluation within Islamic boarding schools. The implementation of Islamic accounting standards is recommended to enhance financial accountability and effectiveness in fund management. **Conclusion:** Islamic boarding schools must adopt structured financial planning and transparent management practices to ensure the optimal use of available resources. Attention to governance mechanisms is crucial for sustainability. **Contribution:** This study contributes to the literature by offering alternative, innovative, and sustainable fundraising strategies, such as Islamic investments and crowdfunding, to support the long-term financial stability of Islamic boarding schools.

ARTICLE HISTORY

Received: October 2, 2024

Revised: October 28, 2024

Accepted: November 23, 2024

Published: December 28, 2024

KEYWORDS

Management;
Financing;
Islamic Boarding School

1. INTRODUCTION

Financial management is a process of managing finances by mobilizing the efforts of others. This activity begins with planning, organizing, implementing, and overseeing. School financial management starts with budget planning and continues through monitoring and financial accountability (Kim & Ryu, 2017). Financial management involves the administration of finances, including recording, planning, implementation, accountability, and reporting (Sanusi et al., 2015). Therefore, school financial management can be understood as a series of activities to organize the school's finances, including planning, bookkeeping, spending, supervision, and financial accountability. Given that schools and Islamic boarding schools (pesantren) share similar substance and vision-mission across their institutions, it can be concluded from the above explanation that the financial management of pesantren is the activity carried out to achieve the planned goals of the pesantren by developing and managing resources and funding sources, as well as the potentials within the pesantren system effectively and efficiently (Karim et al., 2025).

Financial management in pesantren is a key aspect of educational institution management, which determines the smooth operation of pesantren activities (Dungcik, 2024). Similar to educational management in general, the financial management activities in pesantren are carried out through planning, organizing, directing, coordinating,

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How to Cite this Article:

Hamdana, A. P., & Donna, S. R. (2024). Financial Management in Islamic Boarding Schools (Pesantren). *Indonesian Journal of Research in Islamic Studies*, 1(2), 58-64. <https://ojs.aeducia.org/index.php/ijris/article/view/215>



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and controlling processes (Khairani & Us, 2023). Some financial management activities include obtaining and determining funding sources, utilizing funds, reporting, auditing, and accountability (Mohamed et al., 2014).

Islamic boarding schools, initially regarded as alternative educational institutions, have now ascended in status to become substantive and solution-oriented educational institutions (Giatti & Giatti, 2019). Today, pesantren are viewed as the only institutions that continue to shape the character and personality of the next generation. Three factors play a role in the pesantren operational system: management as the effort factor, organization as the infrastructure factor, and administration as the initiative factor. These three factors provide direction and synergy in formulating, controlling, implementing, overseeing, and evaluating policies to ensure that educational activities align with the goals of each pesantren.

As an Islamic educational institution, pesantren plays a vital role in shaping the character and knowledge of students (santri) in Indonesia. Along with societal changes, pesantren now serve as centers for religious education and hubs for economic and social empowerment for the surrounding community. The sustainability and development of pesantren are highly dependent on the implemented financial management system (Raharja et al., 2020).

Most of Pesantren's funding sources come from internal sources, such as tuition fees (Education Development Donation or SPP), endowments, donations, and independent businesses, while external sources include government assistance and community donations. A heavy reliance on external funding often presents challenges in maintaining operational sustainability and expanding pesantren. Furthermore, not all pesantren have a professional and transparent financial management system, which can lead to inefficiencies in fund usage and diminish trust from donors and the community (Stern & Smith, 2016).

To address the challenges of the modern economy, pesantren must adopt effective and Sharia-compliant financial management to achieve financial independence. Good financial management includes planning, allocating, and overseeing funds in an accountable manner, ensuring that the available funds are optimally used to support educational activities, facility development, and the well-being of santri and educators (Burke & Demirag, 2017).

The government has shown support for the sustainability of pesantren through regulations such as Law No. 18 of 2019 on Pesantren, which provides a legal foundation for their management, including funding aspects. However, many pesantren still face difficulties understanding and implementing effective fund management (Samsuni et al., 2019). Therefore, comprehensive research is needed to analyze various aspects of pesantren financial management, including challenges, opportunities, and strategies that can be applied to achieve sustainable financial independence (Hanafi et al., 2021).

This research aims to contribute to developing a more innovative and effective funding model for pesantren, which can serve as a guide for pesantren administrators to improve transparency, accountability, and fund utilization efficiency. As a result, pesantren will not only survive in the era of globalization but also evolve into competitive and economically independent educational institutions. And to identify and examine the funding sources used by pesantren, such as funds from students, endowments, donations, grants, pesantren businesses, and government assistance.

2. METHOD

2.1 Research Design

This study uses a descriptive qualitative method with a library research approach, which involves collecting, analyzing, and synthesizing information from various relevant literature sources related to financial management in Islamic boarding schools (pesantren). The object of this research is the concept of financial management in education, reading data with expert insights using a constructive approach, and interpreting the core content of the material discussed in the article.

2.2 Data Sources

This research was conducted in 2024. Data collection utilized scholarly journals from experts and combined, integrated, and synthesized their quotes into the author's summary within the article. The data in this literature study come from (1) Primary sources, such as books on pesantren financial management and Islamic educational institutions. Scholarly journals discussing aspects of Islamic education financing management. (2) Secondary sources, including online or print media articles discussing pesantren funding.

2.3 Data Collection Techniques

The data collection process was carried out through (1) Literature Identification, Exploring various sources of references such as journals, books, and official documents related to pesantren financial management; (2) Data Categorization: Grouping data based on key themes, such as funding sources, fund management, fund utilization effectiveness, and challenges in financial management; (3) Critical Analysis: Conducting an in-depth review of various theories and concepts related to pesantren financing.

2.4 Data Analysis Techniques

The data were analyzed using the following methods: (1) Qualitative Descriptive Analysis: Interpreting findings from the collected literature; (2) Comparing Theories: Comparing financial management theories and practices in various pesantren across different references; (3) Synthesis Formation: Developing a synthesis to provide a comprehensive overview of the pesantren financing system; (4) Comparative Analysis: Comparing financing models across various pesantren to identify the best practices for financial management.

3. RESULT AND DISCUSSION

The financial management of Islamic boarding schools (pesantren) is a process that involves organizing financial activities or operations within the pesantren and its educational institutions. This includes planning, analysis, and control of financial activities, typically carried out by the head of the management board and the treasurer or the head of the madrasa together with the madrasa treasurer in the formal educational sector under the permanent institution.

Financial management in pesantren encompasses all activities related to obtaining funds by minimizing costs and utilizing and allocating these funds effectively and efficiently. These efforts can include developing pesantren enterprises, making investment decisions, and managing finances according to Islamic principles (Sharia) and the principles of muamalah (Islamic finance). Therefore, it can be concluded that financial management in pesantren is the process undertaken to achieve the planned goals of the pesantren by developing and managing resources and funds, as well as potentials, within the pesantren system effectively and efficiently ([Panut et al., 2021](#)).

Budget planning, supervision, and evaluation must be strengthened by implementing Sharia accounting standards to improve accountability and effectiveness in managing pesantren funds. Additionally, pesantren must enhance human resource capacity and utilize financial technology to meet the challenges of managing funds more professionally and efficiently. Pesantren should also be more active in developing Sharia-based businesses and leveraging existing assets to create a more stable and sustainable income. With diverse funding sources, Pesantren is more resilient and capable of developing educational facilities than Pesantren, which relies on a single funding source ([Anshori, 2018](#)).

1. Objectives of Financial Management in Pesantren

Through financial management activities, the funding needs of pesantren activities can be planned, procured, recorded transparently, and used effectively and efficiently to finance the implementation of pesantren programs. The objectives of financial management in pesantren are as follows: (1) To improve the effectiveness and efficiency of pesantren financial usage; (2) To enhance the accountability and transparency of pesantren finances; (3) To minimize the misuse of the budget.

To achieve these objectives, creativity in fundraising by pesantren management is required, alongside the appointment of treasurers who are proficient in accounting and financial accountability and who utilize funds correctly according to the pesantren's rules and regulations and applicable laws.

2. Basic Principles of Financial Management in Pesantren

The management of pesantren, particularly for those overseeing formal education, must understand the mechanisms of the pesantren budget and the systematics of financial reporting and accountability to the caretaker, the finance bureau, and the financial audit body of the pesantren. Additionally, the management should comprehend financial management principles in formal educational institutions as outlined in Law No. 20 of 2003. Article 48 states that the management of educational funds must adhere to the principles of fairness, efficiency, transparency, and public accountability. In addition, the principle of effectiveness should also be emphasized.

3. Three Stages of Financial Management in Pesantren

Financial management in pesantren involves three important stages: the planning stage (budgeting), the implementation stage (accounting), and the evaluation stage (auditing). These stages must be followed in the financial management of pesantren to ensure their financial health, dynamism, and accountability as well as their formal and non-formal educational institutions.

a. Budgeting

Planning or budgeting is preparing a budget (Korompot & Poputra, 2015). The budget is an operational plan expressed quantitatively in monetary units, serving as a guideline for carrying out activities within an institution over a specific period (Batubara, 2022). To effectively plan the financing of pesantren, the head of the pesantren management board (Arifin, 2016) is primarily responsible. If the pesantren runs formal educational institutions, the madrasa head also plays a key role. Both the head of the pesantren management and the madrasa head must develop various dimensions of administrative development. There are at least two formats for budgeting: RKA (Budget Plan), also referred to as RKAS (School Budget Plan) or RKAPP (Pesantren Budget Plan); and RAPB (Revenue and Expenditure Budget Plan), also called RAPBS (School Revenue and Expenditure Budget Plan), RAPBM (Madrasa Revenue and Expenditure Budget Plan), or RAPBPP (Pesantren Revenue and Expenditure Budget Plan).

b. Implementation (Accounting)

Accounting is the language used to describe the results of economic activities (Isa & Hartawan, 2017). Financing can be broadly grouped into two activities: revenue and expenditure. The receipts and expenditures of pesantren financing from various sources of funds must be recorded based on management procedures consistent with agreed concepts or government regulations. For example, funds received from Sumbangan Pembinaan Pendidikan (SPP) (education development donations) from students are recorded in the SPP Receipt Book, with receipts provided in the form of SPP Contribution Cards held by the students. Additionally, a Donor Receipt Book must be provided if the pesantren has regular donors.

c. Evaluation (Auditing)

Auditing is the process of gathering and evaluating evidence about measurable information regarding an economic entity, conducted by a competent and independent person to report on the conformity of this information with established criteria (Sangkala, 2022). Evaluation in school finance, including supervision, is a crucial part of school-based financial management (Rahmadoni, 2018). In pesantren financing, the head of the pesantren management board must control the spending in line with the established RAPB. This evaluation process ensures that financial management activities run effectively and efficiently without deviation. This is where the head of the pesantren management must monitor and assess the results. Types of auditing include:

- 1) Financial Statement Audit: Determines whether the overall financial statement, which is measurable information, has been presented according to specific criteria.
- 2) Operational Audit: Reviews any part of an organization's operational procedures to assess efficiency and effectiveness. Upon completion, auditors often provide recommendations for improvement.
- 3) Compliance Audit: Assesses whether an entity has followed certain procedures or rules set by higher authorities. In a private institution, compliance audits may examine whether accounting personnel have adhered to procedures set by the institution. This includes reviewing wage levels, agreements with third parties (e.g., banks/creditors), and compliance with applicable laws.

5. Problems in Financial Management at Pesantren

Financial management in pesantren is not without its problems. Among the issues are the management's weak human resources (HR), limited operational funds, financial mismanagement, charging students for costs, financial reporting manipulation and speculation, improper spending, and more. Undeniably, many pesantren face financial management challenges due to insufficiently skilled HR and the lack of financial management training. This leads to difficulties in creating and analyzing the RAPB and in producing accountable and transparent financial reports.

Limited operational funds, especially in smaller pesantren with fewer students and low compensation for management, often lead to financial mismanagement and policy abuse. Financial abuse, including pesantren, is prevalent in private and public institutions (Muhksin, 2023). Financial abuse involves manipulating financial data and deliberately implementing speculative policies, sometimes for personal gain, violating legal and permanent regulations (Munib et al., 2022). Although not widespread, financial mismanagement is more likely to occur within

the leadership, the treasurer, the manager of pesantren-owned businesses, and other positions of authority that influence policy decisions or handle the pesantren's finances directly.

They have the freedom to control funds. Policies issued sometimes do not align with what was planned in the pesantren's Budget Plan. Unfortunately, financial misconduct in pesantren is often overlooked by the caretakers, who may consider it a disgrace. It is usually not brought to court but resolved internally with no demand to return the misappropriated funds. Illegal fees and other fundraising efforts often occur without the caretaker's knowledge, typically by management personnel. This happens because Pesantren's financial operations tend to be closed off. Transparent and accountable financial reporting is also neglected. Therefore, caretakers of pesantren who understand the potential for financial abuse should establish an independent internal audit body to oversee budget realization and review the pesantren's financial reports.

4. IMPLICATIONS AND CONTRIBUTIONS

Research Implications. The results of this research guide pesantren administrators in developing more effective and sustainable financing strategies. It also serves as a reference for the government in formulating regulations and policies related to pesantren financing, particularly regarding financial assistance from both the state and private sectors.

Research Contributions. This study offers alternative solutions for fundraising through more innovative and sustainable sources, such as Sharia investment and crowdfunding. It also provides recommendations for Islamic financial institutions to collaborate with pesantren in developing community-based businesses.

5. FUTURE RESEARCH DIRECTIONS

Future researchers can further explore the sustainability strategies for pesantren finance in the long term, especially in addressing economic and social changes.

6. CONCLUSION

The financial management of pesantren is a key component that determines its activities' success. Similar to the management of education in general, the financial management activities in pesantren are carried out through planning, organizing, directing, coordinating, supervising, and controlling. The goal of financial management in pesantren is to acquire and identify funding opportunities for educational activities, ensuring the funds are used effectively and efficiently, in compliance with regulations, and producing transparent and accountable financial reports.

There are three stages in pesantren financial management: planning (budgeting), implementation (accounting), and evaluation (auditing). These stages must be carefully implemented to ensure the financial management of pesantren is sound: effective planning, proper management, and accurate reporting. This will help pesantren avoid financial mismanagement and policy abuse.

The research findings indicate that with effective and innovative financial management, pesantren can evolve into Islamic educational institutions that are not only financially independent but also capable of growing to provide greater benefits to the community. Transparency in financial management is key to increasing trust from the public and donors. Implementing more modern and accountable financial systems, such as reporting based on Sharia accounting standards, can help Pesantren maintain its credibility.

Acknowledgments

The author sincerely thanks all co-authors for their valuable contributions, collaboration, and dedication throughout the course of this research. Their expertise and teamwork were essential to the successful completion of this study.

Author Contribution Statement

All authors discussed the results, contributed to the final manuscript, and approved the final version for publication.

Conflict of Interest Statement

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Ethical Approval Statement

The authors declare that this study was conducted with due regard for research ethics, including obtaining approval from the institution. This includes respecting the autonomy of participants, maintaining confidentiality of data, and ensuring their safety and well-being, in accordance with applicable research ethics guidelines.

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