

## Quality-Based Financing in Islamic Education: A Strategic Approach to Institutional Effectiveness

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### Abstract

Educational financing is a strategic aspect in determining the direction and quality of Islamic educational institutions. This article examines how financial management can be systematically directed to support institutional quality improvement. Using a literature study approach and thematic analysis, the paper explores the concept of quality-based financing through three main focuses: general financial management, integration of quality principles in budget practices, and managerial applications in Islamic education institutions. The findings indicate that structured and result-oriented financing positively impacts institutional efficiency, educational service quality, and program sustainability. Therefore, visionary leadership, strengthened accountability systems, and financing innovation are needed to transform Islamic educational institutions into excellent and competitive entities.

### Abstrak

Pembiayaan pendidikan merupakan aspek strategis dalam menentukan arah dan mutu penyelenggaraan lembaga pendidikan Islam. Artikel ini membahas bagaimana manajemen pembiayaan dapat diarahkan secara sistematis untuk mendukung pencapaian mutu institusi pendidikan. Dengan pendekatan studi kepustakaan dan analisis tematik, tulisan ini mengeksplorasi konsep pembiayaan berbasis mutu melalui tiga fokus utama: manajemen pembiayaan secara umum, integrasi prinsip mutu dalam pengelolaan keuangan, dan praktik manajerial di lembaga pendidikan Islam. Temuan menunjukkan bahwa pembiayaan yang terstruktur dan berorientasi pada hasil berdampak positif terhadap efisiensi kelembagaan, peningkatan kualitas layanan pendidikan, dan keberlanjutan program. Oleh karena itu, dibutuhkan kepemimpinan visioner, penguatan sistem akuntabilitas, serta inovasi pembiayaan agar lembaga pendidikan Islam dapat menjadi institusi yang unggul dan berdaya saing.

### Keywords:

*Educational Financing, Quality in Islamic Education, Financial Management, Managerial Strategy, Institutional Effectiveness*

### Kata Kunci

*Pembiayaan Pendidikan, Mutu Pendidikan Islam, Manajemen Keuangan, Strategi Manajerial, Efektivitas Lembaga*

## INTRODUCTION

Financing is a central element in building a quality educational system. In the context of Islamic education, financing should not merely be viewed as an administrative tool to support operational activities, but rather as a strategic factor that underpins the achievement of holistic educational goals. When managed professionally, transparently, and with a quality-oriented approach, financing has an impact not only on facilities but also on the quality of learning processes and outcomes. Therefore, the financing paradigm must shift from a bureaucratic to a quality-based model, integrated with the vision and mission of Islamic educational institutions (Perawironegoro, 2023). This shows that financing is not simply a technical tool, but a strategic pillar in the development of Islamic education quality. With a holistic approach, financing can drive institutional transformation toward a more professional, measurable, and sustainable direction. Well-prepared planning and accountable supervision are key to managing educational funds effectively and efficiently.

A quality-based financing system must be built upon comprehensive planning, efficient implementation, and objective evaluation. This means that financing cannot run independently without direction but must support the quality indicators set by the institution (Abdul Hadis et al., 2014). Clear financing objectives are crucial so that every budget allocation truly contributes to achieving sustainable educational quality. Without referring to desired quality outcomes, financial planning risks inefficiency and waste. Therefore, Islamic educational institutions need to formulate an outcome-based budgeting system so that every expense leads to measurable outputs. This concept also facilitates regular evaluations to objectively assess the achievement of educational goals (Abdul Hadis et al., 2014).

Financing also serves as a key foundation for building a conducive learning atmosphere. With adequate financial support, educational institutions can recruit professional teachers, provide proper learning facilities, and implement continuous training and development programs (Arikunto et al., 2017). Educational quality cannot be achieved without sufficient and well-managed funding. When funds are limited, schools tend to prioritize routine operations and neglect development programs, which may result in stagnant quality. Therefore, financing must be seen as a driving force for creating a high-quality learning environment that serves the needs of the entire school community.

Financial management must be systemic and participatory. Financial decision-making should involve teachers, school leaders, committees, and the surrounding community (Mestry, 2009). This approach fosters collective ownership and enhances trust between stakeholders and the institution. Community involvement also promotes transparency and institutional accountability in managing educational funds. When stakeholders feel involved, public trust and support increase. Moreover, this multi-stakeholder engagement enriches the decision-making process, making it more responsive to the actual needs of the institution.

In practice, strategically designed financing directly affects educational quality. A study conducted at SD Muhammadiyah Ngestiharjo revealed that budget allocations focused on strengthening the quality of Islamic Religious Education (PAI) increased both teacher motivation and student achievement (Rasyidah et al., 2022). This finding confirms that targeted fund use

improves learning effectiveness and overall institutional performance. It also provides empirical evidence that educational fund management must be based on clearly defined, measurable, and outcome-oriented priorities.

Recent findings also underline the importance of aligning financial systems with institutional performance indicators. Rosadi et al. (2025), for instance, argue that performance-based budgeting increases transparency and enables schools to link spending to quality targets (Rosadi et al., 2025). In addition, managing educational financing requires sensitivity to emerging challenges such as digital demands, religious values, and socio-economic equity, especially in the Islamic context (Riinawati, 2022).

## **Method**

This study employs a descriptive qualitative approach using the library research method. This approach was chosen to explore in depth the concepts, principles, and implementation of quality-based financing within the context of Islamic educational institutions. Data were collected from various relevant scholarly sources, such as national and international journal articles, educational policy documents, and previous research findings that support the discussion topic.

Data collection was conducted through a systematic review of written sources, which were then analyzed using content analysis techniques. The analysis process consisted of three main stages: data reduction, data display, and conclusion drawing. The validity of the data was maintained through source triangulation by comparing various credible and up-to-date references. The results of the analysis were organized thematically to generate a comprehensive understanding of how financing management can be directed toward enhancing the quality of Islamic education.

## **Results And Discussion**

### **Financing Management**

Financing management in Islamic education is a strategic process that includes planning, implementation, and financial evaluation systematically. The goal is not merely to maintain the operational continuity of the institution, but also to ensure that every educational activity contributes to sustainable quality improvement. Fund management should not be reactive and merely administrative but must be designed as an integral part of the institution's quality development plan (Perawironegoro, 2023). Islamic educational institutions, both formal and non-formal, are required to build financing systems that are adaptive to the times, accountable in reporting, and visionary in planning. When financing is strategically designed, institutions can not only survive financial pressure but also innovate. In this framework, financing management must also be aligned with Islamic principles such as trustworthiness (*amanah*) and justice, so that the entire financial process becomes part of institutional worship (Hadis et al., 2014).

Financial planning is the most fundamental initial step in educational financial management. Effective planning determines the overall direction of budget use, including in terms of HR development, improvement of facilities and infrastructure, and financing of other quality improvement programs. This plan must be carried out participatively by involving the principal, treasurer, school committee, senior teachers, and even parents (Arikunto, 2017). Involving many parties ensures that financial plans are not biased and are in accordance with the actual needs of

the institution. On the other hand, this strengthens transparency from the initial formulation stage. The concept of deliberation (*musyawarah*), which is an important part of Islamic education, is also reflected in this process. With a clear scale of priorities and measurable achievement indicators, planning becomes a strong foundation in quality-oriented annual budgeting (Rahmah, 2021).

The implementation phase of financing is a moment that determines the quality and impact of the planning process that has been prepared. At this stage, the principles of efficiency and effectiveness must be the main guidelines. Available funds need to be channeled to support the main educational activities, such as teacher development, improvement of student services, and strengthening of the internal quality assurance system (Mestry et al., 2009). Poor implementation, such as using funds for non-priority activities or expenditures without success indicators, risk lowering the institution's credibility. Often, Islamic schools face funding limitations, so the institution's manager must be very careful in setting priorities. In addition, the entire budget implementation process must be recorded and traceable. This approach is not only to fulfill administrative obligations, but also as a form of public and sharia accountability.

Classification of spending based on work programs and expected outcomes is an important strategy in implementing quality-based financing. Each expenditure must be linked to measurable indicators, whether in improving HR capacity, student academic achievement, or increasing parental satisfaction (Perawironegoro, 2023). For example, the allocation of funds for teacher training is not only seen from the number of participants or training duration, but also from how far the training impacts the quality of learning. This approach also allows periodic performance-based budget reviews. Thus, financing is not only completed at the expenditure level but also produces concrete outputs and outcomes according to the institution's vision (Nur Fauz et al., 2020).

Financial transparency is the main foundation of a sound financing management system. Every transaction must be recorded properly and be auditable both internally and externally. When transparency is implemented, public trust in the institution will increase, and financial support from the community becomes more open (Nasution et al., 2022). Unfortunately, there are still many Islamic educational institutions that have not built an open financial reporting system. This causes suspicion and doubt from parents or donors. In fact, from an Islamic perspective, transparency is part of the values of trustworthiness and openness that form the basis of ethics in *muamalah*. Therefore, institutions need to develop comprehensive and regular financial publication policies to create a sustainable culture of accountability (Hadis et al., 2014).

Financing evaluation needs to be carried out regularly to assess the effectiveness of fund usage and to evaluate whether quality goals have been achieved. This evaluation must include an analysis of budget realization, program achievement, and spending efficiency. This process can be carried out internally by school management or externally by independent auditors or supervisory committees (Darmawan, 2020). In the Islamic education system, financial evaluation can also be used as a medium for managerial reflection (*muhasabah*), namely collective reflection on the extent to which fund management has been in accordance with the principle of trustworthiness. Consistent evaluation will help institutions improve systems, prepare more realistic budgets, and set more measurable and contextual quality targets for the following years.

The sources of financing in Islamic educational institutions are very diverse, ranging from student fees, zakat, *infaq*, waqf, grants, to cooperation with private or government institutions. Diversification of funding sources is important so that the institution's sustainability is not

dependent on one party (Rasyidah et al., 2022). For example, managing productive waqf such as kiosks, gardens, or boarding houses can be an income generator for educational operations without burdening parents. However, this management requires a professional system and must be separate from routine operations. Institutions must have clear policies regarding the use of funds, as well as different reporting systems according to the type of funding source so that transparency and accountability are maintained.

Digitization of the financing system has become a new demand in modern education management. Many institutions have begun using school financial applications that are integrated with academic systems, online payments, and real-time financial reports. This technology not only facilitates reporting and auditing but also increases the efficiency of fund use (Nasution et al., 2022). In the midst of the digital transparency era, Islamic educational institutions must be brave enough to adopt this system so as not to be left behind and remain trusted by the increasingly digitally literate urban society. The use of technology also facilitates in institutions in carrying out data-based planning and avoiding financial irregularities that often occur due to weak manual supervision.

Strengthening internal regulations is an important aspect so that the financing system runs in accordance with quality principles. Each institution needs to have Standard Operating Procedures (SOPs) that regulate expenditure flows, authority limits, verification mechanisms, and reporting. Without strong regulations, financing management will be vulnerable to intervention and disorder (Perawironegoro, 2023). These SOPs must also be socialized with all institution members so that they have shared guidelines and not just formal documents. From a quality management perspective, regulation is a control instrument that enables institutions to run professionally, fairly, and consistently with the principles of accountability.

Ultimately, the success of financing management is largely determined by the leadership of the institution. A visionary, honest, and communicative leader will be able to mobilize resources optimally, develop need-based budget policies, and build a culture of quality in finance. Conversely, weak leadership will open opportunities for waste, conflicts of interest, and abuse of authority (Amir, 2016). Therefore, in addition to systems and procedures, Islamic value-based financial leadership education must also be strengthened among institutional managers. This will shape financial managers who are not only technically smart, but also morally trustworthy.

### **Quality Management in Financial Administration**

Quality management in financial administration emphasizes that every financial decision must be directed toward achieving the quality standards of educational institutions. In this approach, educational funds are not merely used to support routine activities but as a strategic tool to improve academic and non-academic quality as well as institutional governance. Institutional quality cannot be achieved solely through curriculum planning or human resource development without the support of appropriate, targeted, and outcome-based financial allocation (Perawironegoro, 2023). Therefore, financial management cannot be separated from institutional quality strategies. Funds must be allocated to support flagship programs, such as competency-based teacher training, strengthening quality culture, and developing internal quality information systems. When financing is aligned with established quality standards, institutions can move more systematically and measurably toward their vision.

Quality-based financial management covers three main aspects: efficiency, effectiveness, and accountability. Efficiency means that every rupiah spent yields maximum benefit without waste. Effectiveness indicates that financing produces outcomes aligned with objectives, such as improved national exam scores or increased numbers of high-achieving students. Accountability demands an open, auditable financial reporting system that adheres to good governance principles (Mestry et al., 2009). These three aspects are integrated and cannot stand alone. Islamic educational institutions that neglect one of them will experience imbalance in financial management. Therefore, financial management must be grounded in integrity and professionalism and tied to periodic reporting systems so that every expenditure can be morally and administratively justified (Hadi et al., 2014).

Quality evaluation in the context of financing is a crucial step that must be conducted regularly. This evaluation aims to determine how far budget allocation impacts the achievement of expected quality standards. For instance, if an institution allocates funds for teacher training, an evaluation must assess to what extent the training improves learning quality and student satisfaction. Without evaluation, financing may become a routine activity without added value (Darmawan, 2020). This evaluation is not only technical but also a reflective instrument for administrators to make improvements. Through systematic evaluation, institutions can identify which programs are effective and worth continuing, and which ones need to be stopped or modified. Evaluation also serves as an indicator of accountability and a tool for institutional quality control.

From the perspective of Total Quality Management (TQM), financing is part of an integrated quality system. TQM emphasizes that all institutional aspects, including finance, must be geared toward continuous improvement and stakeholder satisfaction. In this framework, financial management must be data-based, participatory, and prioritize innovation in achieving outcomes (Nur Fauz et al., 2020). For example, institutions can allocate funds for student or parent satisfaction surveys, the results of which are used as a basis for planning the next year's budget. TQM requires the involvement of all institutional elements, not just leaders or treasurers. Therefore, transparency, training, and communication are the main pillars in a quality-based financial system integrated with TQM.

A quality-based financing system also requires clear financial performance standards. These standards include achievement targets, acceptable budget deviation limits, and outcome evaluation procedures. Without standards, financing becomes subjective and difficult to evaluate objectively. Islamic educational institutions need to develop quality financing indicators, such as the ratio of teacher training budgets to accreditation results, or the proportion of development funds to new student enrollment (Rahmah et al., 2021). These standards are also essential as references when institutions seek partnerships with donors, CSR programs, or private entities. External parties are more likely to trust institutions that have professional and quality-based financial systems.

In a financial quality system, budget planning must be based on institutional quality needs, not just administrative necessities. This means that fund allocation must be based on data from the previous year's quality evaluations and projected targets for the current year. For example, if student satisfaction with facilities declined last year, then this year's budget must allocate funds for facility improvements. This approach is known as planning based on the quality gap. Quality-based planning also requires valid data, such as internal survey results, BAN-SM quality reports, and

academic audit findings (Perawironegoro, 2023).

The use of information technology in financial management is a critical component of modern quality management. Digitalization helps institutions prepare fast, accurate reports that are openly accessible to stakeholders. Systems such as e-budgeting and web-based school financial applications are now being adopted by innovation-oriented Islamic schools (Nasution et al, 2022). In addition, technology simplifies the preparation of spending charts, allocation trends, and financing ratios, all of which can serve as the basis for quality evaluation. In the long term, digitalization also supports data-driven decision-making. Therefore, Islamic institutions must build HR capacity to manage financial applications and integrate them with the institutional quality system comprehensively. This is supported by Wahid and Hidayati who highlight that adopting sharia-based accounting principles can further enhance transparency and public trust (Wahid et al., 2023).

Quality management in financing must also involve participation from the entire academic community. A participatory approach not only fosters a sense of ownership of financial policies but also creates a democratic and open organizational climate. Participation can be realized through budget forums, policy discussions, or evaluation deliberations. Involvement of teachers, staff, and even students will strengthen transparency and enrich perspectives in budget decision-making (Arikunto, 2017). This aligns with the Islamic principle of *syura*, which encourages collective decisions for the common good. In quality-based management, such forums serve as spaces for validating needs and correcting ineffective financial policies.

Public accountability in financial management cannot be fulfilled solely through internal reports. Educational institutions need to build reporting systems that are open and responsive to inquiries from parents, communities, and donors. Accountability must also touch on spiritual responsibility to Allah in safeguarding educational funds (Perawironegoro, 2023). Therefore, the principle of *ihsan* must be embedded in financial management processes: working in the best way even when unseen by others. When spiritual values are integrated into the quality system, financing is not only technically efficient but also a form of worship and blessing.

Thus, quality management in financial administration is not just a technical or numerical matter. It involves institutional vision, policy strategies, information systems, and the Islamic values that underlie them. Islamic educational institutions need to develop a quality-based financial system grounded in transparency, evaluation, participation, and spiritual values. When financing is managed with quality principles, institutions will not only excel administratively but also be highly competitive in producing graduates who are morally, intellectually, and socially outstanding.

### **Innovation and Digital Transformation in Islamic Education Financing**

The digital transformation of educational finance has emerged as a strategic response to the increasing demands for transparency, efficiency, and accountability in Islamic education. Traditional manual bookkeeping systems in many Islamic educational institutions are often prone to errors, delays, and inconsistencies, which hinder accurate budget forecasting and timely reporting. The adoption of integrated financial technologies, such as e-budgeting systems, online financial dashboards, and web-based accounting applications, has greatly improved the management of funds in Islamic schools (Nasution et al. 2022). These technologies enable administrators to monitor cash flow in real-time, track expenditures, and generate timely reports

for stakeholders. Furthermore, these systems allow for digital archiving of financial documents, minimizing the risk of data loss and enabling easier auditing. In the era of big data, financial analytics derived from these platforms can be used to evaluate the performance of fund allocation, identify inefficiencies, and recommend data-driven improvements (Nasution et al. 2022). For Islamic education to remain competitive and credible, embracing such innovations is no longer optional but imperative.

Incorporating digital platforms in Islamic school finance also strengthens public trust. Communities, parents, and donors increasingly expect open access to financial data as a measure of institutional integrity (Wahid et al. 2023). By implementing web-based transparency portals, schools can share summaries of annual budgets, reports on donation usage, and detailed breakdowns of program funding. This not only promotes ethical stewardship of resources but also aligns with Islamic ethical values such as *amanah* (trustworthiness) and *mas'uliyah* (responsibility) (Hadis et al., 2014). Moreover, digital payment systems, such as mobile apps for tuition payments or donation channels via QR codes, make it easier for stakeholders to contribute consistently and securely. These innovations reflect a broader global shift toward e-governance in education and help Islamic institutions modernize without compromising religious identity. Transparency supported by technology also plays a preventive role against corruption and misuse of funds, which, if left unchecked, could damage both the institution's credibility and the community's willingness to support it.

Another critical area of digital transformation is the integration of financial systems with academic management software. When financial planning tools are aligned with learning management systems (LMS), administrators can allocate funds based on accurate enrollment data, attendance rates, and program performance metrics (Nur Fauz et al., 2020). This alignment allows for more efficient budget distribution across programs, faculties, or development initiatives. For example, institutions can automate budget flows for teacher development programs if triggered by certain quality assurance indicators. Furthermore, digital platforms can facilitate performance-based budgeting, in which funding decisions are linked directly to output achievements (Perawironegoro, 2023). These systems reflect the Total Quality Management (TQM) approach where every decision, including financial, must be based on measurable outcomes and stakeholder satisfaction. In Islamic contexts, this supports a culture of continuous improvement (*islah mustamir*) that is both spiritual and managerial in nature. Institutions that leverage these tools show higher adaptability, especially in balancing routine operational expenses with long-term developmental investments.

Digitalization also enhances the governance of social and religious-based funds such as zakat, *infaq*, and waqf. Many Islamic schools rely heavily on these sources to sustain operations or subsidize underprivileged students. However, the lack of systematic sharia-compliant accounting often hinders proper usage and reporting (Wahid et al., 2023). By adopting sharia-based financial management software, institutions can separate funds based on their origin and designation, preventing mix-up between general budgets and restricted allocations. This approach has been advocated by Wahid and Hidayati, who argue that digitalization of waqf and zakat management fosters better compliance with Islamic law and improves donor confidence (Wahid et al., 2023). In addition, dashboards for zakat tracking allow schools to publish real-time updates on fund distribution, further enhancing transparency. Technology also enables the design of smart waqf

models, where the returns on endowment assets are automatically allocated to pre-determined educational programs. These mechanisms make Islamic education finance not only accountable but also spiritually grounded.

The automation of auditing procedures is another benefit of financial digitalization. Manual audits are time-consuming and susceptible to human bias, particularly in small to mid-scale Islamic schools with limited oversight capacity. Digital audit trails, on the other hand, log every financial transaction and generate alerts when budget anomalies occur (Rosadi, 2025). These features help ensure compliance with internal policies and external regulations, including sharia financial norms. Furthermore, digital audit systems provide historical data for performance benchmarking and future planning. Institutions can review previous years' fund utilization patterns and adjust their strategic directions accordingly. In a system where transparency and efficiency are tied directly to religious and community credibility, this automated integrity is invaluable. Combined with third-party e-audit services, schools can now access professional financial reviews without incurring high costs or delays. Such tools empower school leaders to maintain integrity while focusing more resources on pedagogical development and spiritual education.

Moreover, innovation in financing is not solely about automation; it also involves rethinking institutional income strategies. The rise of digital waqf crowdfunding platforms, for example, opens new avenues for community-supported educational funding (Wahid et al., 2023). Schools can now publish projects online, such as "Build a Science Lab" or "Sponsor a Quran Teacher" and attract micro-donations globally through trusted Islamic fundraising platforms. These innovations reduce dependency on tuition fees and seasonal donations, thereby increasing institutional resilience. According to Rosadi et al., schools that integrate local economic potential with digital donation platforms demonstrate more stable and scalable funding outcomes (Rosadi, 2025). Schools may also use digital tools to manage internal business units (e.g., bookstores, catering services) as alternative income streams, with integrated financial reports directly feeding into the main school budget. By aligning these entrepreneurial models with Islamic values and professional systems, institutions achieve a balance between sustainability and spirituality.

Despite these advancements, challenges remain. Many Islamic schools still lack trained personnel to operate digital financial systems effectively. Often, teachers or volunteers are assigned financial duties without adequate technical or accounting background (Wahid et al., 2023). This raises the risk of mismanagement, even when the right software is in place. To address this, training programs in Islamic financial literacy, sharia accounting, and financial technology must be integrated into staff development. Some institutions have begun partnering with universities and Zakat institutions to offer certification for their finance staff. Moreover, regular workshops on ethical financial leadership rooted in Islamic principles are essential to cultivate values-based governance (Nasution et al., 2022). Innovation is not just about tools, but about the people who use them with integrity. The human factor in financial innovation determines whether the tools will merely exist or transform practice into meaningful ways.

In conclusion, digital innovation has become a vital enabler of quality-based financial management in Islamic education. From e-budgeting to smart *waqf*, from digital audits to transparent donation systems, these tools offer solutions to both technical and ethical challenges. However, successful implementation requires more than just software, it demands visionary leadership, skilled staff, and an institutional commitment to align technology with Islamic values

(Rosadi, 2025). As Islamic educational institutions face increasing pressure to perform in a competitive and transparent environment, embracing financial innovation is not merely advantageous but necessary. The journey toward excellence in Islamic education requires a finance system that is not only efficient and accurate but also rooted in trust, ethics, and accountability to Allah.

### **Financial Management in Islamic Educational Institutions**

Financial management in Islamic educational institutions faces complex challenges as it must integrate spiritual, professional, and sustainability elements. Unlike public schools that receive substantial subsidies from the government, many Islamic educational institutions rely on community participation through zakat, infaq, waqf, and student fees. Therefore, fund management must be carried out with great caution, transparency, and a strategic orientation toward institutional quality (Perawironegoro, 2023). It is not enough to ensure that funds are available, but also how they are optimally used to produce quality, spiritual, and relevant educational outputs in response to current challenges.

Another major challenge is the reliance on unstable funding sources. When funds depend only on student fees or seasonal donations, operational stability is disrupted. The solution is to diversify funding sources, such as partnerships with zakat institutions, productive waqf management, CSR partnership programs, and independent business units based in pesantren (Rahmah et al., 2021). This strategy has proven effective in several pesantren that can finance educational activities from livestock, agriculture, or printing businesses. However, business unit management must be professional, separate from operational finances, and audited regularly to avoid conflicts of interest.

Productive waqf is one of the most relevant long-term financing solutions in the context of Islamic education. Waqf land or buildings can be developed into productive assets such as shop houses, boarding houses, or farmland, whose proceeds are used to finance school operational needs (Rasyidah et al., 2022). This concept requires a professional management team to maximize its benefits and ensure it is not merely symbolic. In several major cities, Islamic educational institutions that successfully manage productive waqf can be self-sufficient in teacher salaries, student scholarships, and even facility development.

However, managing waqf, zakat, and other social funds must be done with an accounting system different from routine budgets. Sharia accounting can be a relevant approach, as it separates funds based on their sources and designations. Zakat funds, for instance, may only be used for designated recipients and cannot be diverted to physical development unless the target is clearly defined. Therefore, Islamic educational institutions need to establish a dedicated financial division that understands sharia principles in public fund governance (Nasution et al., 2022).

Digitizing financial management is essential in Islamic educational institutions. Many Islamic schools still use manual bookkeeping, which is prone to errors and difficult for reporting. The use of school financial applications will help monitor cash flow, generate real-time reports, and enhance public accountability. This system also facilitates parents and donors in accessing fund usage reports (Nasution et al., 2022). In the digital era, transparency is not only a moral value but also a demand of a modern society that is critical of fund usage. Moreover, integrating digital financial reports into quality assurance systems as shown in studies by Rosadi et al. can support long-term

institutional sustainability (Rosadi et al., 2025).



Figure 1. Illustration of a School Using a Financial Application

Besides the system, financial management and human resources are key success factor. Unfortunately, many Islamic educational institutions still assign teachers or volunteers as treasurers without managerial training. This can lead to bookkeeping errors, internal conflicts, or even fund misuse. Therefore, intensive training is needed for financial staff, covering bookkeeping, budgeting, reporting, and sharia-based financial audits (Amir, 2016). Professionalizing financial management will strengthen institutional legitimacy and increase public trust.

Leadership in Islamic educational institutions also greatly determines the direction of financing policy. A visionary leader will be able to identify new funding opportunities, develop long-term strategies, and lead the team to achieve efficiency and effectiveness in fund usage. Conversely, passive and innovative leadership will hinder institutional growth amid competition and change. Therefore, Islamic values-based financial leadership training must be conducted regularly for principals, foundation managers, and institution administrators (Nur Fauz, 2020).

Community participation is an essential element in the financial management of Islamic education. Involving parents, alumni, and community leaders in financial planning and oversight not only strengthens transparency but also fosters a sense of ownership. Through school committee forums, parent meetings, or open financial reports, the community can understand and support the institution's financial policy direction. Additionally, this participation encourages the emergence of creative ideas for alternative funding, such as social fundraising, educational crowdfunding, or cash waqf (Arikunto, 2017).

Islamic educational institutions also need to draft formal and binding financial policy documents, such as expenditure SOPs, internal audit procedures, and regulations on donations and sponsorships. These documents serve as references for all financial decision-making and are strong control tools in facing external pressure or interference. Written and adhered-to regulations will minimize conflicts of interest and maintain institutional consistency with the principles of trustworthy and professional governance (Rasyid, 2023).

Thus, financial management in Islamic educational institutions must be built on the principles of justice, transparency, professionalism, and spirituality. Institutions should not stop at bookkeeping and financial reporting but must develop financing systems that support quality achievement. In a competitive world, Islamic educational institutions are required to excel not only in religious values but also in efficient and responsible financial governance. If financing management is well executed, then the goal of Islamic education to produce excellent generations

in both worldly and spiritual aspects will be more easily achieved.

## Conclusion

Islamic education financing must be repositioned as a strategic element that supports not only the operational needs of institutions but also their long-term quality objectives. A shift from bureaucratic budget administration to quality-based financing ensures that each allocation of funds contributes meaningfully to educational excellence. Professional, transparent, and accountable financial planning is essential to achieve this shift. Islamic educational institutions must therefore develop outcome-based financing models that align with institutional visions and respond to both academic and spiritual goals.

The integration of quality management principles into financial administration allows institutions to measure, evaluate, and refine their budgeting strategies systematically. Emphasizing efficiency, effectiveness, and accountability ensures that funds are not only spent wisely but are also directed toward measurable educational improvements. When tied to internal quality assurance mechanisms and performance indicators, financial systems become more adaptive, responsive, and supportive of holistic student development.

Digital transformation plays a critical role in enhancing the transparency, efficiency, and credibility of Islamic education financing. The use of financial technologies, sharia-compliant accounting systems, and digital audit tools helps institutions manage funds more ethically and effectively. Moreover, innovations such as online donations, waqf crowdfunding, and performance-based budgeting platforms expand institutional funding capacity while reinforcing community trust. However, these tools require competent human resources, visionary leadership, and a deep commitment to align technology with Islamic values.

In conclusion, quality-based financial management is not merely a technical obligation but a moral responsibility in Islamic education. Institutions that embrace innovation, apply professional standards, and remain rooted in Islamic ethics are better positioned to sustain excellence. As competition and accountability increase in the educational sector, Islamic institutions must ensure that their financial systems support the development of intellectually competent, morally upright, and socially responsible generations. Sustainable financing rooted in justice, transparency, and spirituality will be the cornerstone of Islamic education's future success.

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