
IMPLEMENTATION OF PERFORMANCE-BASED FINANCING MANAGEMENT IN IMPROVING THE MANAGEMENT EFFICIENCY OF ISLAMIC JUNIOR HIGH SCHOOL

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Abstract

This study aims to analyze the implementation of performance-based financing and its impact on the efficiency of madrasah management. The research employed a qualitative case study design conducted at MTs Al Ishlah Sukadamai Natar. This approach was chosen to gain an in-depth understanding of the processes, strategies, and dynamics involved in implementing performance-based financing within the real context of an Islamic educational institution. The research subjects included the madrasah principal, treasurer, head of the madrasah committee, and teachers directly involved in the planning and implementation of financing programs, selected through purposive sampling. Data were collected through in-depth interviews, participatory observation, and document analysis, including the Madrasah Work and Budget Plan (MWBB), budget realization reports, meeting minutes, and program evaluation documents. Data analysis followed the interactive model of Miles and Huberman, consisting of data reduction, data display, and inductive conclusion drawing. Data validity was ensured through source and technique triangulation and member checking. The findings indicate that integrating priority performance indicators into planning and budgeting has led to more targeted, efficient spending patterns with direct impacts on the improvement of educational services. Budget allocations were primarily directed toward teacher professional development, the development of digital learning media, and the preventive maintenance of facilities. Despite limited data literacy and inadequate digital infrastructure, the implementation of performance-based financing has enhanced financial efficiency, transparency, and accountability in madrasah financial management. This study concludes that performance-based financing is a relevant and replicable model for promoting professional and sustainable madrasah governance.

Keywords

Accountability; Efficiency; Madrasah; Performance-Based Financing; Financial Governance.



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INTRODUCTION

Education financing management is a crucial component of the governance of educational institutions, including madrasas. Along with increasing demands for educational quality, the management of education funds must be more transparent, accountable, and efficient. Madrasah, as an Islamic educational institution, faces not only classic problems such as budget constraints but also contemporary challenges, including competition for quality with public and private schools (Mailizar et al., 2024). In this context, the performance-based budgeting approach is a strategic alternative to ensure that available funds effectively support improvements in the quality and efficiency of institutional management. Performance-based financing emphasizes the link between budget allocation and achieving results (Dhamara & Fauzi, 2023). With this approach, financing is no longer based solely on inputs or administrative needs, but also on the institution's performance achievements and certain quality indicators. In the context of madrasas, this approach opens the door to systematically measuring the contributions of learning programs, teacher development, and infrastructure management to achieving Islamic education goals (Yudianto et al., 2023). This aligns with the spirit of effectiveness and efficiency in modern education funding management.

However, implementing performance-based financing in madrasas is not as easy as flipping your palm. Many madrasas, especially small- to medium-scale ones, are still trapped in the routine and administrative budgeting paradigm. Budgets are often prepared solely on past years' habits, without an in-depth analysis of outcomes, learning outputs, and student impact (Mohzana, 2024). In such conditions, achieving management efficiency is difficult due to the lack of clear benchmarks for measuring the success of each expenditure. The limited managerial capacity of the madrasah head and the financial management team is also an inhibiting factor in implementing this approach (Wulaningsih & Asriati, 2024). Not all madrasas have the human resources to formulate measurable performance indicators aligned with the institution's vision. On the other hand, the lack of a reliable management information system is also an obstacle to conducting performance-based monitoring and evaluation. This has an impact on weak accountability and ineffective budget use, hindering overall improvement in the institution's quality.

From the perspective of Islamic education management, education financing is not only a technical issue but also part of the moral responsibility to provide quality, beneficial education (Asrohah, 2024). The efficiency of fund management is a mandate that must be carried out by all institutional managers so that the funds obtained, both from the government and the community,

can provide maximum benefits for students. Performance-based financing can be a bridge to more professional, transparent, and results-oriented madrasah management (Nanda & Darwanis, 2016).

However, before the implementation of performance-based financing, the management of financing at MTs Al Ishlah Sukadamai Natar still faced several structural and managerial problems. The initial findings of the study show that budget planning tends to be routine and administrative, rather than grounded in the analysis of needs and program performance. The preparation of MWPB in the previous period was more in line with the pattern year, so this year's pattern has not been accompanied by clear, measurable performance indicators for some strategic activities, such as teacher training and learning media development. As a result, the relationship between budget allocation and improvements in education service quality is difficult to evaluate objectively. In addition, limited financial resources require madrasahs to ensure that every expenditure has a real impact on achieving educational goals. This condition underscores the need for an antithesis to conventional financing practices through a performance-based financing approach that emphasizes the direct linkage between inputs, processes, outputs, and program outcomes. Thus, this study departs from academic anxiety over the gap between the amount of responsibility for managing madrasah public funds and the weak performance measurement mechanism as a basis for financing decision-making.

Implementing performance-based financing also requires clear, mutually agreed performance indicators (Lapansari et al., 2024). In the context of madrasahs, these indicators can include increases in national exam scores, the graduation rate, participation in training, and retention. With the right indicators, management can objectively evaluate the performance of each unit and program, enabling data-driven decisions. However, resistance arises from within the institution. Some parties still consider performance-based financing an additional burden, especially in preparing financial statements and conducting evaluations. Not to mention that if the reward or punishment system is not aligned with performance results, the spirit of financial management reform can be hampered. Therefore, this approach must be accompanied by strengthening capacity and a work culture that supports transparency and commitment to quality.

Madrasah financing management is also inseparable from the dynamics of government regulations (Wulaningsih & Asriati, 2024). The existence of School Operational Assistance (BOS) and BOSDA programs, as well as funding from the community or foundations, is integral to the madrasah financial system. Unfortunately, these funds are managed according to the principles of

effectiveness and efficiency. There are still many management practices that are administrative and routine, without in-depth performance analysis. This makes financing often a burden, not a tool to achieve excellence.

Thus, a study on the implementation of performance-based financing to improve the efficiency of madrasah management is highly relevant and urgent. This is a theoretical contribution to the development of a more adaptive concept of Islamic education management. In practice, the results of this study can serve as a reference for other madrasahs that want to adopt a similar approach, especially in financial management that is more accountable and oriented towards the quality of education. On the other hand, the success of implementing performance-based financing is also determined by the leadership of the madrasah's head. Transformational leadership that motivates teachers and staff, builds a shared vision, and establishes an effective monitoring and evaluation system is an important key to the success of performance-based management (Mailizar et al., 2024). Therefore, this study is also important for assessing the extent to which madrasah head leadership approaches. In addition, the socio-economic context of the community surrounding the madrasah should also be considered. Madrasahs in areas with economic constraints certainly face challenges in implementing performance-based financing (Runiasih & Ahmad, 2025). However, it is precisely in these limited conditions that this approach becomes important to avoid waste and ensure that every expenditure has a real impact on the quality of education. Therefore, efficiency is not only an option but a necessity for the institution's success.

Previous studies on education financing have shown five key trends. *First*, research confirms that performance-based financing can increase the efficiency and accountability of financial management, especially in educational units that implement school-based management (Andersen et al., 2025; Kabaso, 2023; Patch et al., 2021). *Second*, a study that links planning and budgeting to improving the quality of education services, emphasizing the importance of matching funding allocations to achieving outputs and learning outcomes (Mangkuwinata et al., 2025; Rahmadhea, 2025; Sianturi et al., 2024). *Third*, research that focuses on education financial governance, especially transparency, stakeholder participation, and program evaluation mechanisms (Fahira et al., 2025; Hasanah, 2025). *Fourth*, studies in the context of Islamic education generally still emphasize normative and administrative aspects of financing, without an in-depth analysis of performance orientation (Prima & Mardiyah, 2025; Saputra et al., 2025; Sari et al., 2025). *Fifth*, research at the Madrasah Tsanawiyah level tends to be descriptive and has not specifically examined performance-

based financing as an instrument to increase efficiency (Amalia et al., 2025; Riinawati, 2022; Suriadi & Karim, 2025). This condition indicates that there are research gaps that need to be empirically and contextually filled.

Based on the above explanation, this study aims to analyze the implementation of performance-based financing in improving the efficiency of madrasah management, focusing on the case study of MTs Al Ishlah Sukadamai Natar. It is hoped that this research will reveal the strategies, challenges, and impacts of this approach, and make practical and conceptual contributions to the theoretical understanding of management in Indonesia. This study is also expected to open up a broader discussion on the transformation of financial management in Islamic-based educational institutions that are more professional, competitive, and sustainable.

METHOD

This research method uses a qualitative case study approach because it aims to understand in depth the process of implementing performance-based financing in the real context of an Islamic educational institution, namely MTs Al Ishlah Sukadamai Natar. This approach was chosen to capture complex managerial phenomena, particularly those related to performance-oriented financing management strategies, dynamics, and practices, to improve the efficiency of madrasah management (Creswell, 2015). Qualitative research enables researchers to examine holistically how financing policies and practices are implemented and how they affect the management and achievement of educational goals in madrassas.

The subjects of this study are the head of the madrasah, the treasurer, the chairman of the madrasah committee, and the teachers involved in the planning and implementation of the financing program. The selection of informants is carried out purposively, namely, selected based on their strategic role in the financing management and decision-making process (Lichtman, 2013). Data collection techniques included in-depth interviews, participatory observation, and document analysis (Press, 2013). In-depth interviews, observations, document analysis, and perceptions, experiences, and views on performance-based financing. Observations are conducted directly on planning activities, management meetings, and the implementation of learning programs funded through performance-based budget allocations. Documentation studies are carried out on documents such as Madrasah Work Plans and Budgets (MWPB), budget realization reports, meeting minutes, and program evaluation reports.

The data analysis technique in this study uses an interactive model from Miles and Huberman, which includes three main stages: data reduction, data presentation, and concluding. (Miles & Huberman, 1994). Data reduction involves sorting, summarizing, and organizing data from interviews, observations, and documentation to make them more focused and relevant to the research objectives. Data are presented in descriptive narratives and thematic matrices that enable researchers to identify patterns, relationships, and trends in the implementation of performance-based financing. Meanwhile, conclusions are drawn inductively, namely based on interpretation and in-depth reflection on the linkages, while still referring to the theoretical framework of education data financing management and the principles of organizational efficiency.

FINDINGS AND DISCUSSION

Findings

Conditions of Financing Management Before the Performance-Based Approach

The results of the study show that, before the implementation of the performance-based financing approach, management at MTs Al Ishlah Sukadamai Natar remained administrative and not oriented towards educational performance. Budget preparation is carried out on an annual basis by referring to the previous year's spending pattern without being based on strategic needs analysis or measurable outcome indicators. The Madrasah Work Plan and Budget (MWPB) functions more as a formal document to fulfill administrative obligations, rather than as a managerial instrument that directs the achievement of educational goals. Madrasah heads and treasurers dominate decision-making, while teacher and support unit involvement remains limited. This condition prevents financing from playing an optimal role in controlling performance and improving the quality of madrasas.

To clarify the financing conditions before implementing the performance-based approach, the study's results are summarized in a table. This table presents the main aspects of financial management, ranging from budget planning patterns and decision-making mechanisms to spending orientation and budget evaluation systems and their implications. The table aims to provide a systematic overview of ongoing financing practices and briefly highlight structural weaknesses in the financial governance of madrasas. Thus, the table provides an empirical basis for understanding why the performance-based financing approach is a strategic imperative for improving the efficiency, accountability, and quality of madrasah management.

Table 1. Financing Management Conditions of MTs Al Ishlah Sukadamai Natar
Before the Performance-Based Approach

No	Management Aspects	Conditions Found	Implications
1	Budget planning pattern	Based on the previous experience	Unresponsive to actual needs
2	Decision-making	Top-down, dominance of the head & treasurer	Low teacher participation
3	Shopping orientation	Administrative and non-learning	Minimal impact on learning quality
4	Performance indicators	Not available	Program effectiveness is difficult to measure
5	Budget evaluation	Focus on fund absorption	Weak substantive accountability

Source: Data processed by researchers, 2025

Based on Table 1, it can be seen that budget planning based on previous years' experience results in an allocation of funds that is insensitive to the real needs of learning. The top-down decision-making mechanism affords her little participation, so the budget does not adequately accommodate real classroom needs. Expenditure orientation that tends to be administrative and non-learning weakens the contribution of financing to improving the quality of education. In addition, the absence of performance indicators leads budget evaluations to focus solely on the rate of fund absorption, rather than on the program's effectiveness and impact. This condition results in weak substantive accountability and makes it difficult for madrasas to explain the benefits of spending to stakeholders. Overall, the table emphasizes that the management of prior performance-based financing has been inefficient and has not served as a strategic instrument to improve the quality of madrasas.

Initiatives and Strategies for Implementing Performance-Based Financing

The study's results show that the drive to change the financing pattern at MTs Al Ishlah Sukadamai Natar has led leaders to recognize the importance of a results-oriented financial system. The head of the madrasah believes that the undirected, inefficient financing model has the potential to achieve the goal of becoming a model Islamic educational institution. The madrasah's achievement through an internal evaluation of the effectiveness of but two, which showed that some financing has not had a direct impact on improving teacher performance. The evaluative findings then became the basis for strategic decision-making at the madrasah leadership meeting to adopt a performance-based financing approach. Thus, changes in financing patterns are not reactive but the result of managerial reflection based on empirical data and the need to sustainably strengthen institutional quality.

To clarify the implementation strategy for performance-based financing, the research results are summarized in the table below. This table presents the main research results, the actors involved, the instruments used, and their implications for changes in madrasah financing governance. The table aims to provide a systematic overview of how the principles of performance-based financing are translated into everyday managerial practice. Summarizing the implementation strategy in a table makes the linkages between policies, planning mechanisms, budgeting, and performance evaluation clearer. This table also serves as an analytical basis for understanding the transformation of the financing system from an administrative pattern to a more measurable, participatory, and achievement-oriented pattern of educational outcomes.

Table 2. Performance-Based Financing Implementation Strategy
at MTs Al Ishlah Sukadamai Natar

No	Implementation Stages	Strategies Applied	Initial Impact
1	Initial evaluation	Evaluation of the budget effectiveness of the last two years	Identification of non-impact financing
2	Preparation of IKP	Establishment of five priority performance indicators	Clearer funding direction
3	Budget planning	MWPB is associated with IKP and achievement targets	More measurable budget
4	Capacity building	Internal training of teachers and staff	Increased managerial literacy
5	Monitoring & evaluation	Quarterly performance evaluations	More dynamic decision-making

Source: Data processed by researchers, 2025

Based on Table 2, the performance-based financing implementation strategy is carried out gradually and systematically. The initial budget evaluation serves as an entry point to identify financing that is not impactful, enabling policy changes to be based on empirical data. The preparation of Priority Performance Indicators (IKP) provides clear direction for each work unit in designing programs and submitting budgets. The revision of the MWPB format, which links the program to indicators and achievement targets, encourages the work unit to think more strategically and rationally. Internal training increases teachers' and staff's capacity to develop results-based programs, while quarterly monitoring and evaluation establish a sustainable performance control mechanism. Overall, the table shows that implementing performance-based financing is not only changing the budgeting system but also shaping a more accountable, adaptive, and quality-oriented work culture.

Changes in Spending Patterns and Budget Efficiency

The results of the study show that after the implementation of performance-based financing at MTs Al Ishlah Sukadamai Natar, budget management has undergone substantive changes, thereby improving the efficiency and quality of educational services. Budget allocations previously allocated to administrative and consumptive activities began to be diverted to strategic programs aimed at improving the quality of learning. Reducing consumption expenditures for meetings and ceremonial activities creates fiscal space to meet teaching expenses and maintain learning facilities. This change reflects a paradigm shift in financial management from a routine spending orientation to a results-oriented one. Thus, financing is no longer seen as merely fulfilling administrative needs, but as a strategic instrument to support the achievement of educational goals and the operational efficiency of madrasas.

To systematically describe the impact of implementing performance-based financing on budget management efficiency, the study's results are summarized in a table. This table presents the main efficiency aspects that emerge after implementation, including infrastructure management, human resource development, student development programs, and reporting and accountability systems. The aim is to show the relationship between performance-based financing strategies and concrete changes in madrasah budget management practices. By summarizing field findings in a table, readers can quickly see how the use of achievement indicators affects the accuracy of spending targets, cost efficiency, and increased transparency and public trust in madrasah financial management.

Table 3. The Impact of Implementation of Performance-Based Financing on the Efficiency of Madrasah Management

No	Efficiency Aspect	Practice After Implementation	Main Impact
1	Budget allocation pattern	Indicator-based strategic spending	Increased effectiveness of the use of funds
2	Infrastructure management	Planned periodic maintenance	Decreased emergency costs
3	Digitization	Distribution of digital teaching materials	Reduced printing costs
4	Human resource development	Needs-based teacher training	Increased competence and collaboration
5	Student program	Value-based interventions	More measurable learning outcomes
6	Reporting	Quarterly Indicator Achievement Report	Increased transparency and accountability

Source: Data processed by researchers, 2025

Based on Table 3, performance-based financing encourages budget efficiency not only through cost savings but also by improving the quality of educational outcomes. Regular maintenance of infrastructure facilities reduces the cost of emergency repairs and extends the useful life of madrasah facilities. Digitization of teaching materials and administrative documents reduces routine expenses, especially printing costs. Increased need-based teacher-training allocations foster a culture of professional learning and reduce reliance on high-cost external training. In addition, using student achievement data to finance tutoring programs makes interventions more targeted and directly impacts exam results. Indicator-based reporting obligations strengthen accountability and increase parental trust and community participation. Overall, the table emphasizes that performance-based financing contributes significantly to the efficiency, quality, and sustainable governance of madrasahs.

Impact on Work Culture and Performance of Education Services

The results of the study show that after the implementation of performance-based financing at MTs Al Ishlah Sukadamai Natar, there has been a significant change in the pattern of allocation and utilization of the madrasah budget. The focus of financing, which previously tended to be administrative and consumptive, began to shift toward strategic programs aimed at improving learning quality and operational efficiency. Expenditure on ceremonial activities and meeting consumption is gradually reduced, while funds are diverted to teacher training, the development of digital teaching materials, and the maintenance of learning facilities. This change reflects a managerial awareness that the budget must be positioned as an instrument for achieving results, not just a means of routine spending. With this approach, financing is directed to have a real impact on the quality of education, increase the resources available to madrasah management, and enhance its sustainability more efficiently and measurably.

To clarify the change in financing patterns following the implementation of the performance-based approach, the study's results are summarized in a table. This table presents the main shifts in spending orientation, the efficiency strategies implemented, and their impact on learning quality, the management of infrastructure facilities, and financial accountability in madrasahs. The table's presentation aims to provide a systematic overview of how achievement indicators are used to inform financing decision-making. Thus, the table serves as an analytical tool to examine the relationship between performance-based financing policies and the budgetary. This table provides an overview of issues related to the performance-based approach.

Table 4. Changes in the Financing Pattern of MTs Al Ishlah Sukadamai Natar
After a Performance-Based Approach

No	Management Aspects	Conditions After Implementation	Impact
1	Shopping orientation	Focus on learning and efficiency	The quality of education services is improving
2	Infrastructure management	Planned periodic maintenance	Emergency repair costs decrease
3	Use of technology	Digitization of teaching materials and documents	Operational cost efficiency
4	Human resource development	Increased allocation of teacher training	Increased competence and collaboration
5	Reporting & evaluation	Achievement indicator-based reports	Increased transparency and public trust

Source: Data by researchers, 2025

Based on Table 4, the implementation of performance-based financing has led to real improvements in the efficiency and effectiveness of madrasah budget management. The shift in spending orientation to learning programs and human resource development strengthens the budget's contribution to improving the quality of education. Regular maintenance of infrastructure facilities reduces the cost of emergency repairs and extends their service life. Digitization of teaching materials and administrative documents also reduces operational costs, especially in print expenses. In addition, increasing the allocation of needs-based teacher training encourages a professional learning culture and reduces reliance on external resources. Achievement indicator-based reporting obligations strengthen financial accountability and transparency, thereby increasing parental trust and community participation. Overall, the table confirms that performance-based financing significantly improves the efficiency, quality, and professional governance of madrasahs.

Supporting Factors and Obstacles to Implementation

The initial success of implementing performance-based financing at MTs Al Ishlah Sukadamai. The results show that the initial success of implementing performance-based financing at MTs Al Ishlah Sukadamai is influenced by supporting factors and several structural and cultural obstacles. The main supporting factors come from the strong commitment of the madrasah leadership, the technical support of the financial manager, and the involvement of external stakeholders. On the other hand, limited data literacy, digital infrastructure, and reliance on key individuals are challenges in maintaining system sustainability. These findings suggest that implementing performance-based financing depends not only on the system's design but also on human resource capacity, organizational culture, and the madrasah's institutional context.

Therefore, analyzing supporting and inhibiting factors is important for comprehensively understanding the dynamics of implementation.

To clarify the factors influencing the success and challenges of implementing performance-based financing, this study summarizes its results in a table. This table briefly presents the supporting and inhibiting factors, the sources or actors involved, and the implications for the sustainability of the performance-based financing system in madrasahs. The presenters are to provide a systematic overview of the interactions among aspects, technical capacity, social support, and structural constraints encountered during the implementation process. By summarizing the field's findings in a table, the reader can clearly see which factors strengthen the system and which require further intervention to ensure performance-based financing runs consistently and sustainably.

Table 5. Supporting and Inhibiting Factors for the Implementation of Performance-Based Financing

No	Category Factors	Description of Findings	Implications
1	Leadership	Strong and participatory commitment of madrasah heads	Effective system transformation
2	Technical capacity	Treasurer has data & reporting capabilities	More organized monitoring
3	Stakeholder support	Involvement of the committee and guardians	Public accountability increased
4	Institutional momentum	Re-accreditation	Documentation & reporting improvements
5	Non-financial support	IT alum network	A budget tracking system helps
6	Data literacy	Teachers and staff are not evenly distributed	Performance reporting is not optimal
7	Digital infrastructure	Limited device & internet access	Implementation is not even
8	System sustainability	Dependence on key individuals	Risk of stagnation during rotation
9	Organizational culture	Resistance of some senior teachers	Adaptation goes in stages

Source: Data processed by researchers, 2025

Based on Table 5, madrasah leadership plays a key role in encouraging changes to the financing system: the treasurer's technical support and invoicing to committees and guards, beyond accountability. The momentum of accreditation and alumni support provides additional impetus to strengthen the documentation and reporting system. However, the table also shows significant challenges, particularly low data literacy and limited digital infrastructure, which affect the consistency of performance reporting. Reliance on key individuals poses a risk to the system's sustainability, and the reliance of some teachers indicates a cultural challenge in changing work paradigms. These findings confirm that the success of performance-based financing requires

ongoing strengthening strategies, such as regular training, SOP documentation, and the development of an adaptive organizational culture. Overall, the table states that successful implementation must be followed by systemic strengthening for performance-based financing to be sustainable.

Discussion

The results of this study show that implementing performance-based financing at MTs Al Ishlah Sukadamai Natar significantly improves the efficiency and effectiveness of madrasah management. These findings align with the theory of result-based management, which emphasizes the relationship among inputs (budgets), processes, and outputs (outcomes). In this approach, financing is an administrative function directed towards achieving the institution's strategic goal (Andersen et al., 2025). By including indicators in every budget planning and execution, madrasahs have practiced the principles of accountability and transparency, as explained by (Mulyasa, 2016). Education financing must be linked to improving the quality and outcomes of learning.

The applied performance-based financing approach also closely aligns with the principle of efficiency in the theory of educational finance (Rusdiana, 2021). Efficiency in education financing is achieved when resources are used optimally to produce maximum results. In this context, reducing spending on symbolic activities and reallocating funds to teacher training and digital media are concrete examples of allocative efficiency (Liu, 2025). The implementation of preventive maintenance of facilities and the digitization of teaching materials also reflect operational cost efficiency, while supporting the sustainability of the teaching and learning process. This is reinforced by the findings of increasing educational service outputs, such as teacher involvement and student guardian satisfaction.

In terms of work culture, the implementation of performance-based financing shows the strengthening of participatory and reflective management. The shift from a bureaucratic to a collaborative approach is a hallmark of this transformation. Increased teacher initiative in developing programs, openness in evaluation, and regular communication forums reflect good governance practices at the education unit level. According to (Sudadio, 2024), sound education management demands the active involvement of all parties and data-driven evaluation mechanisms. MTs Al Ishlah have succeeded in building a reflective culture in which performance indicators serve as a common reference to encourage collective improvement in the quality of education.

This discussion also underlines the importance of leadership in encouraging successful implementation. The visionary, collaborative, and transformative leadership of madrasah heads is a catalyst for change. This aligns with the opinion (Tahir et al., 2025) that the success of education reform is highly determined by a leadership style that can build a common vision and empower all elements of the organization. In this madrasah, the principal not only acts as a manager but also as an inspirer, encouraging behaviour change through exemplary conduct and strengthening the culture of performance.

However, the study also shows that implementing performance-based financing is not without challenges. Low data literacy, reliance on key individuals, and limited digital infrastructure indicate that policy innovation requires comprehensive organizational readiness (Biranvand et al., 2025). Within the framework of institutional change theory, the sustainability of an innovation requires strengthening the system and its internal regulations, as well as developing human resource capacity. Therefore, although the initial steps have shown positive results, madrassas need to devise a long-term strategy to institutionalize this system so that it does not depend on certain figures (Syahbani, 2025).

In general, this discussion shows that performance-based financing at MTs Al Ishlah Sukadamai Natar has succeeded in increasing efficiency, building accountability, and strengthening the participation of all madrasah elements. These findings make a practical contribution to the development of professional Islamic education management and serve as a model that can be replicated by other madrassas in similar contexts. By strengthening training, information systems, and institutional support, the implementation of performance-based financing could be the main pillar for improving the quality and competitiveness of madrasahs (Dahlan et al., 2025). In addition, the findings also confirm the importance of a paradigm shift in the financial governance of Islamic educational institutions. Traditional approaches that focus on administrative and budget absorption without performance evaluation have proven to have no significant impact on the quality of education. Therefore, performance-based financing is an urgent breakthrough that should be implemented systematically (Maulana et. al., 2025). Efficiency, effectiveness, and education management must be based on measurable, comprehensive evaluation instruments to achieve sustainable quality improvement.

Performance-based financing also encourages madrasahs to build a neater and more structured management information system. Financial data is used not only for administrative

reporting to government agencies but also for internal decision-making. In other words, data is used as a reflection tool and not just an administrative obligation. This strengthens the view that information technology must be part of strengthening madrasas' institutional capacity, thereby making fund management more transparent and accountable. A simple spreadsheet-based tracking system has also had a significant impact in compiling quarterly evaluations in this madrasah (Setiawan et al., 2025).

In terms of policy, the performance-based financing approach aligns with the spirit of educational decentralization, which grants educational units autonomy to design and manage their own budgets. However, this autonomy will only have a positive impact if it is accompanied by high responsibility. MTs Al Ishlah Sukadamai Natar provides an example of how this autonomy can be exercised responsibly by building a participatory, data-driven internal system. With this approach, madrasas are not only program implementers but also strategic decision-makers for the sustainability of the quality of Islamic education (Al Farizi & Jaelani, 2026).

Finally, it is important to emphasize that the success of performance-based financing is not only measured in terms of, but also in the development culture oriented towards results and sustainability. When teachers, staff, and madrasah learners are aware of and understand performance indicators, the transformation process will be comprehensive (Haddade et al., 2024). It is a tangible form of performance-based management that focuses not only on numbers but also on values, responsibility, and collective participation in achieving dignified and civilized educational goals has succeeded in increasing efficiency, building accountability, and strengthening the participation of all madrasah elements (Bukhari, 2025). These findings make a practical contribution to the development of professional Islamic education management and serve as a model that can be replicated by other madrasahs in similar contexts. By strengthening training, information systems, and institutional support, the implementation of performance-based financing could become a key pillar for sustainably improving the quality and competitiveness of madrasahs.

CONCLUSION

The implementation of performance-based financing at MTs Al Ishlah Sukadamai Natar has been proven to increase efficiency, transparency, and accountability in madrasah financial management. The integration of priority performance indicators into planning and budgeting encourages a shift in spending patterns toward more targeted, direct-impact allocation and directly

improves outcomes through teacher competency development, the use of digital learning media, and preventive maintenance of facilities. The periodic monitoring and evaluation system strengthens achievement-based decision-making. It fosters a more participatory, results-oriented work culture, in line with improving the quality and professionalism of the madrasah.

However, this research focuses on single-case studies, including the challenge, and examines the uneven distribution of digital infrastructure. Reliance on key individuals can also affect the undermine. The system's sustainability further recommends expanding the scope through comparative studies of madrasahs using a mixed-methods approach and examining the long-term impact of performance-based financing on academic achievement. The development of management information systems and the standardization of operational procedures need to be explored to support the sustainable replication of the model.

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