

## **ABSTRACT**

*Education serves as a fundamental pillar of sustainable development, functioning not only as a basic human right but also as a driver of social and economic progress. One of the key indicators to assess educational outcomes is the average years of schooling, yet Indonesia continues to face significant disparities between its western and eastern regions. Local government education spending is regarded as a crucial instrument to improve access and quality; however, its effectiveness is often shaped by the quality of institutional governance. This study examines the role of education spending and institutional quality in determining average years of schooling in Indonesia, with a specific focus on districts and municipalities across Eastern Indonesia during the 2015–2023 period. The analysis applies the System GMM approach to address panel dynamics and potential endogeneity issues*

*The findings reveal that the effects of education expenditure and institutional indicators, measured by the Indonesia Democracy Index (IDI), the Regional Innovation Index (IID), and the audit opinion of the Supreme Audit Institution (BPK), on schooling outcomes are diverse. Similarly, the interaction effects between education spending and institutional quality vary across regions. The study is expected to contribute to evaluating Indonesia's progress toward the education-related SDGs and to enrich the literature on educational development in Eastern Indonesia.*

**Keywords:** *Education, institutions, System GMM, Eastern Indonesia, years of schooling, moderating effects*

