ABSTRACT

Public education spending is an important policy instrument for improving educational attainment. In Indonesia, the government is mandated to allocate at least 20 percent of the national and regional budgets to the education sector. This study examines the effects of public education spending and institutional quality on educational attainment and investigates whether institutional quality moderates the relationship between public education spending and educational attainment. Educational attainment is measured by the senior high school completion rate. Using panel data from 34 provinces in Indonesia over the period 2014–2023, the study employs the Fixed Effect Model (FEM) and Quantile Regression with Fixed Effects.

The FEM results indicate that public education spending and institutional quality have positive and statistically significant effects on educational attainment. Meanwhile, the interaction between public education spending and institutional quality is statistically insignificant. The quantile regression results show that public education spending per capita is positively and significantly associated with educational attainment at the 25th and 50th quantiles, but not at the 75th quantile. Institutional quality has a positive and significant association across all quantiles, although its coefficient decreases at higher quantiles. However, the interaction between public education spending and institutional quality is insignificant across all quantiles, indicating no significant moderating effect.

Keywords: Public Education Spending, Institutional Quality, Educational Attainment, Senior High School Completion Rate, FEM, Quantile Regression.