

## Technical inefficiency and human capital improvement in indonesia secondary schools across regions

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Deskripsi Lengkap: <https://lib.ui.ac.id/detail?id=92442&lokasi=lokal>

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### Abstrak

Starting from January 1, 2001, the provincial governments in Indonesia suddenly faced a huge problem in managing their public finance. The management of certain sectors and their budgeting were, including education, decentralized. Government regulation No. 25 in 2007 gave the local governments more freedom to establish a suitable education system for their respective regions. This paper will attempt to analyse the performance of secondary schools across regions. The production function theory will be used due to the government's intention to make the secondary school (years 7-12) the compulsory minimum level of education for the Indonesian people. The results show that the government budget cannot significantly affect the efficiency in the secondary school industry because the inputs that are financed are not significant for inducing efficiency. Instead, external factors like population and also the existence of financial loans is likely to be significant. The policy on loans has to be reconsidered to see the cost benefit or- the comparison between returns on human capital improvement through secondary schools and the interest rate of the loan