

FINANCIAL SUSTAINABILITY OF STATE UNIVERSITIES WITH LEGAL ENTITY (PTN-BH): CHALLENGES AND STRATEGIES FOR FINANCIAL INDEPENDENCE

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ABSTRACT

This study analyzes the financial sustainability of State Universities with Legal Entity or in Indonesia called PTN BH through case studies of two institutions with differing income profiles. Data were collected through in-depth interviews, field observations, and document analysis. Thematic analysis identified three main challenges: government funding cuts, limited flexibility in fiscal regulations, and constrained human resource capacity and institutional culture. Four key strategies were also identified, namely diversification, development of business units, non-degree education, and digitalization. Findings indicate that state universities with legal entity funding cuts forced University ABC to rely on internal cash reserves, while University XYZ accelerated the establishment of university-owned enterprises. University ABC was more prepared in managing non-state funds and implementing risk-based governance, whereas University XYZ continued to face challenges in integrating commercial and academic functions. While University ABC had developed a medium-term strategic approach centered on industrial partnerships, University XYZ was only beginning institutional reforms toward a more autonomous financial system. Based on this analysis, it is concluded that the financial sustainability of PTN-BH is not yet fully secured. University ABC appears to be institutionally and financially more stable, while the sustainability of University XYZ remains in a transitional phase and faces greater structural risks.

Keywords: Financial Sustainability, Financial Independence, State Universities with Legal Entity (PTN-BH), New Public Management

INTRODUCTION

Global Higher Education

In recent decades, the global higher education landscape has experienced significant transformation. Universities in various countries face complex challenges driven by globalization, technological advancements, and increasing demands for efficiency, innovation, and financial sustainability (Shih et al., 2025). The reduction of government subsidies has compelled higher education institutions to seek alternative funding sources and implement resilient strategies for financial independence (Lorensius, 2021). In this context, adaptive governance and efficient resource management are crucial to securing the sustainability of universities (Andriollo et al., 2021). One of the main challenges is the fluctuation of fiscal support from governments. OECD reports (Rachel, 2024) note a downward trend in government contributions to the higher education sector in many developed countries. As a result, universities have been encouraged to strengthen international collaborations, develop commercial research, and attract international students as new sources of revenue. OECD data (Figure 1) also highlight the large gap in spending per student between countries. Universities in the United States and the United Kingdom, for example, have much higher expenditure per student compared to those in developing countries, directly affecting their capacity for innovation and the quality of their research.

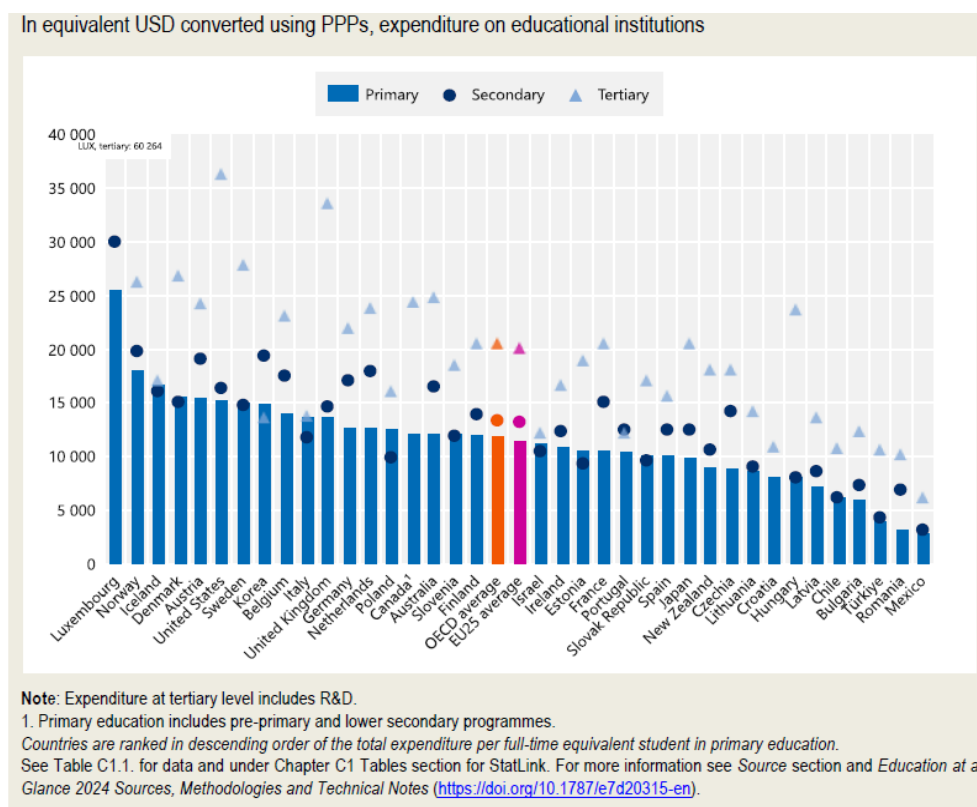


Figure 1. Total Expenditure per Full-Time Equivalent Student in Primary, Secondary, and Tertiary Education
 Source: (Rachel, 2024)

Higher Education in Indonesia

In Indonesia, higher education institutions consist of state universities (PTN) managed by the government and private universities (PTS) (Na'im, 2016). PTN or state universities are classified into three categories: (1) State Universities with Legal Entity Status (PTN-BH), with full autonomy; (2) Public Service Agency Universities (PTN-BLU), with partial financial flexibility; and (3) Work Unit Universities (PTN-Satker), fully funded by the state. PTN-BH institutions, such as Universitas Indonesia, Institut Teknologi Bandung, and Universitas Padjadjaran, are mandated to achieve financial independence through asset management, external partnerships, and research innovation (Direktorat Jenderal Pendidikan Tinggi, 2023).

Table 1. Overview of Higher Education Institutions in Indonesia

Institution Type	Ministry of Education (Public)	Ministry of Education (Private)	Ministry of Religious Affairs (Public)	Ministry of Religious Affairs (Private)	Other Ministries / Agencies	National Total
University	63	767	31	21	1	883
Institute	13	237	36	136	1	423
College	-	1,028	24	1,050	16	2,118
Academy	-	553	-	2	44	599
Community Academy	5	29	-	-	2	36
Polytechnic	44	227	-	-	107	378
Total	125	2,841	91	1,209	171	4,437

Source: (Direktorat Jenderal Pendidikan Tinggi, 2023)

However, many PTN-BH continue to struggle with operational cash deficits, high dependence on government funding, and underperforming business units (Kawulur et al., 2023). Although the education allocation in the State Budget (APBN) reaches 20%, funding for higher education remains low. In 2024, out of the IDR 665 trillion total education budget, only IDR 56.1 trillion (1.6% of the APBN) was allocated to higher education, with just IDR 7 trillion provided for all state universities (PTN) (Winurini, 2024). In contrast, government service higher education institutions (PTKL kedinasan) received IDR 32.86 trillion, indicating an imbalance in allocation. Furthermore, cross-ministerial interventions prevent the Ministry of Education, Culture, Research, and Technology (Kemendikbudristek) from fully determining funding priorities for higher education (Winurini, 2024).

Table 2. Higher Education Funding Statistics in Indonesia

Category	Amount (Rp Trillion)	Percentage
Total Education Budget (State Budget 2024)	665	20% of State Budget (APBN)
Budget Managed by Ministry of Education	98.9	15% of total education budget
Higher Education Funding Allocation	56.1	1.6% of State Budget (APBN)
State Universities (PTN) Budget	7	-
Government Service Higher Education Budget	32.86	-

Source: (Winurini, 2024)

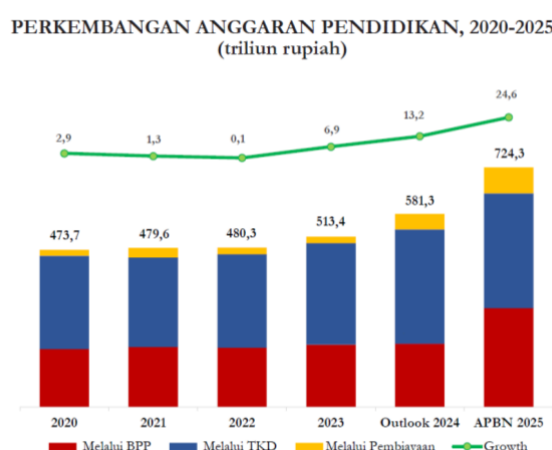


Figure 2. Higher Education Funding Statistics in Indonesia
Source: (Kementerian Keuangan Republik Indonesia, 2025)

The budget trend has indeed increased (from IDR 473.7 trillion in 2020 to IDR 724.3 trillion in 2025), but it has not yet had a direct impact on the financing capacity of higher education (Kementerian Keuangan Republik Indonesia, 2025). The OECD (Rachel, 2024) notes that Indonesia's expenditure per student remains far below the OECD country average. This situation confirms that PTN-BH institutions cannot fully rely on the state budget (APBN) and require funding diversification strategies through asset optimization, strengthening business units, and strategic partnerships.

The Development of PTN-BH in Indonesia

The governance of higher education in Indonesia has evolved from a centralized system dominated by the national government into a more autonomous model, particularly through the State Universities with Legal Entity Status (PTN-BH). This transformation was driven by decentralization efforts and the need to enhance global competitiveness (Dalimunthe et al., 2024; Darlis et al., 2023; Diyanto et al., 2021). The PTN-BH model originated with the establishment of PT-BHMN under Government Regulation No. 61/1999, granting autonomy to five universities (UI, ITB, UGM, IPB, and Unair) (Presiden Republik Indonesia, 1999), and was reinforced by Law No. 12/2012, which formalized PTN-

BH status along with its rights and obligations in managing academics, assets, finance, and human resources (Presiden Republik Indonesia, 2012).

One of the main objectives of PTN-BH is to achieve financial independence through income diversification, asset optimization, and strategic partnerships (Direktorat Kelembagaan Kementerian Pendidikan, 2024). However, this autonomy faces significant challenges, particularly government budget cuts under Presidential Instruction No. 1/2025, which have reduced operational funding and increased pressure for spending efficiency (Presiden Republik Indonesia, 2025).

To provide a more comprehensive understanding of financial sustainability dynamics among PTN-BH institutions, this study focuses on two universities with contrasting income and governance profiles, referred to as University ABC and University XYZ. These two institutions were selected to represent differing levels of financial capacity, managerial maturity, and institutional readiness among PTN-BH institutions in Indonesia. University ABC is categorized as a high-income PTN-BH with a strong record of external partnerships and business unit development, whereas University XYZ represents a low-income PTN-BH that is still in transition toward financial independence. This contrast enables a comparative analysis that captures both the structural and strategic diversity within Indonesia's higher education autonomy landscape.

Problem Formulation

PTN-BH institutions are expected to independently manage their financial resources to improve the quality of education, research, and community service. However, they continue to face challenges in achieving true financial sustainability, largely due to reduced government funding and the need for more innovative, diversified income sources. This study focuses on two main questions:

1. What are the primary challenges faced by PTN-BH in achieving financial sustainability?
2. What strategies are adopted by PTN-BH to enhance financial independence and address these challenges?

This study is also aligned with the Sustainable Development Goals (SDGs), particularly SDG 4 (Quality Education) and SDG 17 (Partnerships for the Goals). Financial sustainability is a fundamental component of ensuring inclusive, equitable, and high-quality education. Moreover, strengthening partnerships between universities, government, and industry reflects SDG 17's emphasis on collaboration for sustainable development. By positioning PTN-BH financial independence within the SDG framework, this research highlights its relevance not only to institutional governance but also to broader national and global development agendas.

Research Objectives

This study aims to analyze the financial sustainability of PTN-BH institutions in the context of fiscal constraints. Specifically, it seeks to:

1. Examine the internal and external challenges that affect PTN-BH financial stability.
2. Evaluate the effectiveness of financial strategies including income diversification, efficiency improvements, and external collaborations.

The findings are expected to provide both theoretical insights and practical guidance for university managers and policymakers in formulating sustainable financial strategies.

Literature Review

Theoretical Framework

The study adopts the New Public Management (NPM) paradigm, which integrates private sector principles such as efficiency, accountability, and performance-based management into public administration (Hood, 1991). NPM emerged as a response to the weaknesses of conventional

bureaucracy and is now widely applied in higher education management (Meutia, 2017; Subhan & Rianto, 2023). In the PTN-BH context, NPM is reflected in greater institutional autonomy in budgeting, non-government revenue generation, and competitive resource management (Diyanto et al., 2021; Lapuente & Van de Walle, 2020). Key principles of NPM relevant to PTN-BH include decentralization and autonomy, allowing flexibility in strategic decision-making and alternative funding schemes (Broucker et al., 2015; Hickey, 2024); efficiency and accountability, with a focus on results-based and transparent financial management (Kjellsson & Olson, 2016; McClure et al., 2023); funding diversification through industry partnerships, applied research, and non-degree services (McClure et al., 2023); and institutional competitiveness driven by innovation, academic reputation, and strategic alliances (Broucker et al., 2015). NPM promotes business models in PTN-BH management (Mohammed, 2024), though it faces criticism for risks of commercialization and inequality in access (Heller, 2022; Tolofari, 2005). Balancing academic missions with financial goals is essential, alongside risk management strategies to address revenue fluctuations from students, industry, and government (Vitters et al., 2024). When properly implemented, NPM facilitates collaboration between universities, government, and industry to build a stable and sustainable funding system.

Financial sustainability reflects an institution's ability to manage resources efficiently to support operations and strategic goals without excessive reliance on external funding (Laktionova et al., 2021). In higher education, it means maintaining financial stability while ensuring educational quality and accessibility. Aligned with New Public Management (NPM), universities are expected to adopt performance-based management, diversify funding, improve spending efficiency, and adapt to external dynamics (Bleiklie, 1998; Wicaksono, 2018). Key indicators include the revenue-to-cost ratio, reliance on government funds, and capacity to generate alternative income (Kjellsson & Olson, 2016). Relevant strategies cover research commercialization, industry partnerships, asset optimization, and academic innovation (Purwaningsih & Asriati, 2024). Transparency and accountability are crucial to building stakeholder trust (Oktarina et al., 2023), while strong academic reputation helps attract international students, industry partners, and philanthropy (Majelis Wali Amanat ITB, 2024). Therefore, PTN-BH financial strategies must integrate fiscal efficiency, academic excellence, and equitable access.

Financial independence in higher education refers to an institution's ability to manage finances without full reliance on government subsidies (Kohtamäki & Lyytinen, 2004). For PTN-BH, this aligns with financial autonomy, requiring significant contributions from non-state sources such as tuition fees, research funds, industry partnerships, and business units (Mutiarra et al., 2022; Webber & Ehrenberg, 2010). Achieving independence demands efficient, transparent governance and funding diversification through innovation and collaboration (Purwaningsih & Asriati, 2024). Challenges include regulatory uncertainty, economic dynamics, and funding competition (Oey et al., 2017), requiring adaptive long-term strategies. Key indicators include the share of non-APBN income, independent revenue ratios, funding diversification level, operational cost efficiency, investment capacity, cash reserves, and student subsidy ratios (C. Alvarez, 2023; Jaafar et al., 2023; Nugraha et al., 2019; Pribadi et al., 2022; Sunarya Sulaeman & Sofi Adzillah, 2022). Gaps are measured against benchmarks from top PTN-BH and global research universities (Kathure Kimathi & Mugetha Irungu, 2024; Uzoma Mirian, 2024). The PTN-BH funding model provides a framework to secure and manage resources for academic, research, and community service activities. Unlike regular PTN, PTN-BH have greater flexibility in developing diverse income streams. The revenue diversification model promotes balanced income sources to reduce dependence on any single source (Jimenez & Afonso, 2022; Shariff & Kronenberg, 2018; Webber & Ehrenberg, 2010). Main funding sources include government allocations (smaller proportion), tuition and professional program fees, industry collaborations, grants and donations, and business ventures. This diversification helps mitigate fiscal risks and supports institutional sustainability while providing flexible budget allocation for strategic academic goals.

Organizational challenges refer to internal and external pressures that can hinder the achievement of strategic goals (Dora et al., 2010; Ozen & Ozturk-Kose, 2023). In higher education institutions, these challenges may arise from structural factors such as policy changes, financial dependence on government funding, or limited managerial capacity (Bukhari, 2024). Strategic challenges emerge when internal capabilities fail to match external pressures, requiring organizations to adjust their strategies to remain relevant and sustainable (Atuahene et al., 2023; Awais et al., 2023). In the PTN-BH context, these challenges are driven by policy dynamics, global academic competition, and stakeholder expectations. Based on open systems theory, universities must adapt to external environments,

including shifts in funding policies, student enrollment trends, and public accountability demands (Bastedo, 2004). External challenges typically relate to government funding dependency, regulatory frameworks, global competition, social demands, and technological or industrial changes, while internal challenges involve human resource management, revenue diversification, tensions between academic values and commercialization, organizational structure, institutional culture, and infrastructure capacity (Terziev & Lyubcheva, 2020). Understanding these dynamics forms the basis for strategic planning and effective decision-making.

Organizational strategy represents a set of long-term decisions and actions designed to balance internal strengths and external challenges (Michael et al., 2022). Mintzberg (Herbst, 1994) describes strategy as a pattern of decisions shaped by learning and adaptation. The vision, mission, strategy, program, and activity hierarchy guides planning to ensure alignment with organizational goals (Shu-Hsiang et al., 2015). Effective strategies are those that align with vision and mission (Al-Filali et al., 2024), are based on data and risk analysis (Habeeb & Eyupoglu, 2024), respond to external pressures (Alshubiri, 2021), are measurable (Fuchs et al., 2020), and are supported by appropriate structures, human resources, and governance systems (Al-Filali et al., 2024). Conversely, strategies may fail if they lack contextual fit, internal support, long-term impact, or stakeholder acceptance (Alshubiri, 2021; Fuchs et al., 2020; Habeeb & Eyupoglu, 2024). In the case of PTN-BH, financial strategies should integrate academic excellence with entrepreneurial spirit, not merely focusing on alternative funding, but also on building sound and sustainable governance.

Analytical Framework

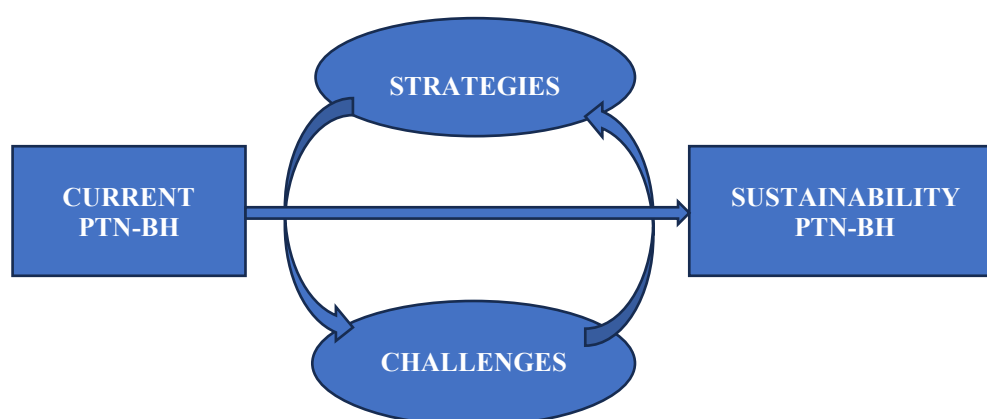


Figure 3. Conceptual Framework

Figure 2.1. Conceptual Framework illustrates how PTN-BH financial sustainability is influenced by external challenges (such as fiscal policy changes and global competition), internal factors (such as managerial capacity and asset management), and strategic responses (including diversification, efficiency, and innovation). This framework guides the analysis of how PTN-BH can build resilient and sustainable funding models in an increasingly competitive environment.

RESEARCH METHOD

This study applies an interpretive paradigm aimed at understanding financial sustainability through the perspectives of key actors (Nurdin & Pettalongi, 2022; Nurhayati, 2015). A qualitative descriptive approach using a multiple case study design focuses on two PTN-BH institutions with different funding profiles, referred to as ABC and XYZ (Adams et al., 2022; Brink, 2018) (Adams et al., 2022; Brink, 2018). Primary data were collected through in-depth semi-structured interviews with strategic leaders, as summarized in the following table:

Table 3. List of Research Informants

Informant Code	Institution	Position	Interview Date	Method
RSP-1	ABC	Strategic Leader of Academic Unit	26 May 2025	In-person
RSP-2	ABC	Strategic Leader of Finance and Planning	28 May 2025	Online
RSP-3	XYZ	Strategic Leader of Research, Innovation, Cooperation, and Business	28 May 2025	In-person

Secondary data sources included annual financial reports (2019–2023), government regulations, internal policies, strategic plans, and relevant academic literature. Data collection combined interviews, document analysis, and non-participant observations on financial policy implementation, external collaboration, and stakeholder engagement, with triangulation of sources, methods, and informants to strengthen validity (Haryoko et al., 2020). Data analysis followed an interactive model of data reduction, display, and conclusion drawing (Strauss & Corbin, 1999). Interview data were transcribed, thematically coded, and filtered for relevance, with key patterns interpreted through the New Public Management framework and conclusions validated using triangulation (Nurfajriani et al., 2024).

Data Collection Procedures

The data collection procedures were conducted in two main stages: primary data through in-depth interviews and secondary data through document analysis.

1. Primary Data (Interviews).

Semi-structured interviews were conducted with three key informants representing strategic units in the selected PTN-BH institutions. The respondents included leaders of academic, finance, planning, cooperation, and business development divisions (coded as RSP-1, RSP-2, and RSP-3). The selection of informants followed a purposive sampling approach, based on their strategic roles in institutional financial management. Each interview lasted approximately 60–90 minutes, conducted in a mixed format (two in-person and one online) between 26–28 May 2025. The interview protocol was developed from theoretical constructs in New Public Management (Hood, 1991) and financial sustainability indicators (Jaafar et al., 2023; Kjellsson & Olson, 2016), and adapted from previous qualitative studies on university governance (Adams et al., 2022; Brink, 2018). The questions covered themes such as funding structure, strategic decision-making, revenue diversification, and governance mechanisms.

2. Secondary Data (Documents and Regulations).

The study also analyzed secondary sources, including annual financial reports (2019–2023), strategic planning documents (Renstra), and government regulations relevant to higher education autonomy and financial governance. Key regulations referred to in this study include:

- a. Law No. 12/2012 on Higher Education,
- b. Government Regulation No. 23/2005 on Public Service Agencies (and its amendment, PP No. 74/2012),
- c. Government Regulation No. 26/2015 on State Universities with Legal Entity, and
- d. Presidential Instruction No. 1/2025 on Budget Efficiency. These documents provided the legal and institutional context for interpreting financial sustainability challenges and strategies.

Triangulation was applied by comparing findings across data types, sources, and informants to enhance validity and ensure the credibility of interpretations.

ANALYSIS

This study was conducted at two State Universities with Legal Entity Status (PTN-BH), purposively selected based on contrasting financial capacity, institutional strategies, and governance characteristics that together reflect complementary cases. The two universities represent distinct income

profiles among the 22 PTN-BH institutions in Indonesia. University ABC is a high-income institution with annual revenues exceeding IDR 2 trillion, where approximately 76% of its income is independently generated. It is known for its strong science and technology focus, industrial partnerships, and efficient academic structure. In contrast, University XYZ falls in the low-income category, with annual revenues below IDR 1 trillion and a higher dependency on government funding. It has a primary mandate in education and social sciences and operates across a broader organizational scope, including numerous faculties, programs, and geographically dispersed units. These two cases illustrate the extremes of PTN-BH financial contexts and provide valuable variation in institutional responses to financial sustainability challenges. Both institutions have complex governance structures and have undergone significant transformations since obtaining PTN-BH status over a decade ago. Primary data were collected through in-depth interviews with three key informants from each university, including strategic leaders in finance, planning, cooperation, innovation, and business units. To uphold ethical standards, all identities are anonymized, and the universities are consistently referred to as ABC and XYZ. Secondary data include official documents such as financial reports, strategic plans, internal policies, and aggregated public data from the Ministry of Education and Ministry of Finance. This information provides the empirical foundation for analyzing institutional challenges and strategies related to financial sustainability. By selecting two contrasting but representative cases, the study offers deeper insight into the diversity of PTN-BH responses to budget cuts and fiscal policy challenges, and highlights diversification strategies aimed at achieving long-term financial independence.

Data analysis used a thematic approach based on in-depth interview findings and document analysis, which produced four main themes: external challenges, internal challenges, financial independence strategies, and governance. The analysis compared two PTN-BH universities with different funding categories: University ABC represents the high-income profile (informants RSP-1 and RSP-2), while University XYZ represents the low-income profile (informant RSP-3). The findings were interpreted using the New Public Management framework and financial sustainability principles.

Table 4. Data Summary by Theme

Main Theme	University ABC	University XYZ
External Challenges	Budget cuts significantly affected strategic programs; national efficiency policy (Inpres No. 1/2025) limited budget flexibility; rigid government funds hindered innovative programs.	Fiscal regulations often conflicted with PTN-BH flexibility; limited budget flexibility despite high innovation potential; policy shifts lacked institutional reform.
Internal Challenges	Need for equitable faculty distribution and facilities; rising operational costs for academic quality and global rankings; cash consumption risks from revenue-expenditure imbalance.	Faculty mindset focused on teaching, not downstreaming; low entrepreneurial capacity; limited land and facilities constrained business development; still transitioning to integrate commercial and academic functions.
Financial Independence Strategies	Diversified funding through graduate programs, industry partnerships, lab optimization, alumni support; low-risk cash portfolio; strategic partnerships led by dedicated team; focus on professional and graduate programs due to fixed undergraduate tuition.	Maximized revenue from business units (dormitories, campus hotel, sports facilities); national and international research collaborations; development of university products; early-stage efforts in research downstreaming and startups.
Governance	Non-state funds managed with transparency and accountability; risk-based governance; business unit as main non-state funding pillar; financial indicators not yet explicit in the strategic plan.	Success indicators include growth in non-state revenue, active partnerships, business unit contributions, and commercialized research outputs; need for stronger data-driven reporting; reporting system integration between

Main Theme	University ABC	University XYZ
Risk Management	Low-risk cash portfolio to maintain liquidity; business units as key alternative funding source; controlled cash consumption within non-state revenue; medium-term revenue targets to prevent deficit.	research and finance requires improvement. No formal risk approach yet but strategies in progress to strengthen business units and mitigate deficits; main risk stems from weak institutional capacity in seizing commercial opportunities; risk governance not yet integrated with strategic planning.
Long-term Planning	2024 revenue target IDR 2.6 trillion, realization IDR 1.7 trillion; focus on Cirebon campus development and Ganesa campus preservation; business units positioned as key funding driver; medium-term focus on industry partnerships and professional education.	Internal revenue growth seen as positive toward independence; future focus on research downstreaming, industrial partnerships, and business unit strengthening; aims to re-establish university-owned business entity; lacks explicit long-term financial roadmap.
Income Composition	50% undergraduate tuition, 30% business units and research, 18% government; undergraduate tuition dominant but fixed; graduate and professional programs provide additional income.	Exact proportion not stated; main sources are tuition and business units; needs to increase research and industry collaboration contributions; still reliant on a few key business lines, uneven across faculties.
Independence Perspective	Financial independence pursued gradually with continued state support; cannot fully equate to private entity logic; balance needed between public accountability and institutional flexibility.	Acknowledges potential for independence but requires mindset and governance reform; institutional independence must still align with state responsibility, especially in basic and vocational education; time needed to mature governance to the level of established PTN-BH.

Source: Data Processing Results

External Challenges

Both universities face significant pressure due to government funding cuts, particularly through national efficiency policies and the decline in BPPTNBH allocations. University ABC experienced funding cuts of up to 60%, forcing them to use cash reserves to support operations. University XYZ was pushed to accelerate the establishment of business units as alternative funding sources. Another challenge involves rigid fiscal regulations that are not adaptive to the financial autonomy needs of PTN-BH, limiting spending flexibility and decision-making. In the NPM framework, these challenges reflect the limitations in realizing managerial autonomy and responsiveness (Broucker et al., 2015; Hickey, 2024). Although PTN-BH institutions are granted financial policy autonomy, their attachment to central fiscal rules remains an obstacle. One informant stated,

"The 60% BPPTNBH funding cut caused budget tension, and we had to use cash reserves to cover the gap" informant from University ABC (RSP-2).

Meanwhile, from University XYZ, it was conveyed that,

"We are often constrained by rules from the Ministry of Finance and audit bodies that are not flexible." informant from University XYZ (RSP-3).

Internal Challenges

Both universities also face internal challenges. At University XYZ, the main challenge lies in the human resources mindset, which is still focused on teaching and not yet optimal in applied research and downstream activities. This results in low capacity to commercialize innovation outputs. Limited land, infrastructure, and entrepreneurial ecosystems further exacerbate the situation. Conversely, University ABC has begun optimizing operational efficiency through digital learning initiatives and the use of laboratory assets for industrial cooperation. They also have a cash management system that adopts low-risk portfolio principles. As noted by one informant,

"The development of large technology-based classes has helped overcome space and faculty limitations" informant from University ABC (RSP-1).

Meanwhile, from University XYZ it was stated that,

"We are still at an early stage of encouraging lecturers to think innovatively and form startups" informant from University XYZ (RSP-3).

These findings reinforce the assumption that institutional capacity is a critical determinant in the success of NPM strategy implementation, particularly in terms of entrepreneurialism and operational efficiency (Kjellsson & Olson, 2016; McClure et al., 2023).

Financial Independence Strategies

The financial independence strategies adopted varied and reflected each university's level of institutional readiness. University ABC developed business units through its Business Management Agency, expanded graduate and professional programs as non-undergraduate tuition revenue sources, and promoted research diversification and industrial partnerships. They also formed a dedicated team to explore external opportunities. University XYZ focused on developing campus business units, such as training centers, educational hotels, and commercial university products. They also engaged in international research collaborations and utilized grants from donor agencies. However, the innovation downstreaming ecosystem and entrepreneurial capacity are still in the early stages. As stated by an informant from University XYZ:

"We have started to guide the university to produce mineral water and snack box products, but it is still in the early stage" Informant from University XYZ (RSP-3).

From the NPM perspective, these strategies reflect efforts to implement the principles of partnership, market orientation, and revenue diversification as a response to reductions in public funding (McClure et al., 2023).

Governance and Long-Term Planning

In terms of strategic planning, University ABC has not yet included explicit financial success indicators in its strategic plan (Renstra), but it has focused on strengthening its funding portfolio and cash management. University XYZ has begun to develop success indicators through increasing the contribution of non-government revenues, the number of active partnerships, and the growth of business unit contributions. In governance, both institutions demonstrate commitment to transparency and accountability principles. University ABC has developed a separate yet accountable governance system for non-state funds, while University XYZ is gradually working to build a similar system. The challenge of integrating strategies into formal documents such as the strategic plan highlights the need for improvements in performance-based planning as mandated by the NPM approach (Broucker et al., 2015).

Analytical Sub-Conclusion

External challenges mainly stem from dependency on central fiscal policies and budget cuts. Internal challenges relate to limitations in human resources, infrastructure, and the entrepreneurial ecosystem. The financial independence strategies illustrate varying levels of institutional readiness, with University ABC being more advanced in diversification and governance. Governance and long-term planning still require strengthening through measurable and consistent financial indicators. These findings emphasize that internal readiness and external regulatory support are crucial factors for the financial sustainability of PTN-BH in the era of fiscal efficiency.

The research findings indicate that the responses of both PTN-BH institutions to fiscal pressure are strongly influenced by institutional capacity, the readiness of support systems, and organizational culture. Within the New Public Management (NPM) framework, University ABC demonstrates a more mature application of principles such as efficiency, funding diversification, and results orientation. Its non-state revenue strategies include research collaborations, expert services, and non-degree programs, supported by an innovation management body that strengthens research downstreaming. This approach aligns with the entrepreneurial university model, which emphasizes institutional independence based on innovation and partnerships. In contrast, University XYZ only began establishing business units after BPPTNBH funding cuts, but still lacks an institutional ecosystem that supports commercialization. The main challenge lies in human resource capacity and the academic mindset, which remains focused on teaching rather than applied research. On the fiscal policy side, both institutions face similar barriers: limited budget flexibility and dependence on central regulations that restrict strategic maneuvering. The contrast between the two highlights the importance of structural readiness and organizational culture in transitioning towards financial independence. Institutions equipped with risk management systems, technological support, and long-term planning are better prepared to face fiscal uncertainty. Conversely, reliance on state budget funding without diversification strategies will continue to leave institutions vulnerable to national budget dynamics.

CONCLUSION

This study reveals the dynamics of financial sustainability in PTN-BH amid intensifying fiscal pressures. Institutional resilience in responding to government budget cuts is determined not merely by the amount of available funds, but by the readiness of internal systems such as business units, incentive mechanisms, and an academic culture that supports entrepreneurship and cross-sector collaboration. PTN-BH institutions that have developed a mature non-state funding portfolio are able to maintain operational stability and respond to changes more quickly and flexibly. Conversely, institutions lacking an innovation ecosystem and agile governance are more vulnerable to funding reductions, which can affect academic services, research competitiveness, and business unit growth. Rigid fiscal regulations further limit managerial room for improvisation.

These findings reinforce the relevance of the New Public Management (NPM) approach, particularly in terms of efficiency, accountability, and results-based performance. However, the implementation of NPM in Indonesia must take into account local challenges such as multilayered bureaucracy and resistance to institutional innovation. PTN-BH financial governance should be directed toward internal collaboration, asset optimization, and the expansion of strategic partnerships. The government is expected to revise the fiscal framework to make it more adaptive and to provide incentives through matching fund schemes, digitalized reporting systems, and platforms for sharing best practices among PTN-BH institutions.

For future development, PTN-BH institutions are advised to develop integrated financial reporting systems linked to quality assurance, strengthen alternative funding bases such as endowment funds and philanthropy, and establish strategic units focused on research and innovation. The government could formulate a roadmap for funding governance reform with a focus on accountable fiscal autonomy. For researchers, it is important to develop a PTN-BH financial sustainability index that integrates input, process, and output dimensions, and to examine its alignment with the SDGs, particularly SDG 4 (quality education) and SDG 17 (partnerships for the goals). For academic managers, incentive systems based on academic economic contributions and entrepreneurship training programs for faculty and administrative staff should be designed. With synergy between institutional strategies, supportive fiscal

policies, and a sustainable innovation culture, PTN-BH institutions in Indonesia have the opportunity to grow as financially independent, inclusive, and globally competitive public universities. In alignment with SDG 4 (Quality Education) and SDG 17 (Partnerships for the Goals), this study underscores that achieving financial sustainability in higher education is not merely an institutional goal but a key enabler of equitable access and collaborative governance. Strengthening fiscal autonomy, partnership networks, and innovation ecosystems among PTN-BH institutions contributes directly to advancing Indonesia's commitment to sustainable and inclusive education.

Limitations and Future Research

This study is limited by its small sample size and qualitative scope, which focuses on only two PTN-BH institutions. While this design allows for in-depth contextual analysis, it restricts the generalizability of the findings across Indonesia's higher education landscape. The data also rely primarily on the perspectives of key informants, which may reflect institutional bias or selective interpretation. Future research should expand the sample to include a broader range of PTN-BH institutions and adopt quantitative or mixed-method approaches to measure financial sustainability using standardized indicators. Developing a PTN-BH Financial Sustainability Index that links performance metrics with national development priorities—particularly SDG 4 (Quality Education) and SDG 17 (Partnerships for the Goals)—would provide stronger empirical grounding for future policy recommendations.

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