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Analysis of Budget Management Efficiency at The Indonesian International School Yangon

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Abstract

This study analyzes the budget management efficiency at the Indonesian International School Yangon (IISY) and identifies influencing factors. IISY, as part of Indonesia's soft power diplomacy in Myanmar, faces operational challenges following the 2021 coup, leading to reduced student enrollment and revenue. The research uses a quantitative descriptive approach, analyzing financial and operational data from the 2021–2022 to 2024–2025 academic years. The study employs techniques such as expenditure variance calculation and financial ratio analysis (e.g., Cost per Student Ratio and Personnel Expenditure Ratio). The findings show fluctuating efficiency, with IISY's budget deemed "Inefficient" in the 2022–2023 and 2024–2025 academic years due to negative expenditure variances and a rigid cost structure. Personnel expenses account for over 75% of the budget, and a decline in student numbers exacerbates inefficiency, as fixed costs remain unchanged. External factors, such as national instability, and internal factors, like limited budget flexibility and planning, contribute to this inefficiency. The study recommends improving budget planning accuracy, optimizing non-personnel spending, and increasing student enrollment to enhance operational sustainability.

Keywords: *Budget Efficiency; International School; Variance Analysis; Education Financial Management; IISY.*

INTRODUCTION

In the era of globalization, diplomacy no longer relies solely on military or economic power but also on one country's ability to influence another through cultural, educational, and universal values—an approach known as soft power diplomacy (Danuwijaya & Manglili, 2023; Kaur et al., 2025; Nuaba, 2025; Nubowo, 2023). This concept was first introduced by Joseph Nye in his book "Bound to Lead: The Changing Nature of American Power," published in 1990. It emphasizes the importance of cultural appeal, political values, and foreign policies considered legitimate by the international community.

In his book, Joseph Nye argues that soft power diplomacy is an increasingly important source of power in international relations. In the era of globalization, when information and ideas move freely across national borders, the ability to shape public opinion and perceptions becomes ever more crucial. In this context, education serves as one of the main instruments supporting a country's soft power diplomacy (Asada, 2019; Bell, 2025; Subekti, 2021; Yani & Lusiana, 2018).

Education can instill and spread the values upheld by a country. Such values as democracy, freedom, human rights, and tolerance can be taught and promoted through curricula, extracurricular activities, and daily interactions in the educational environment. In addition, education can serve as a bridge to promote culture and foster long-term investment.

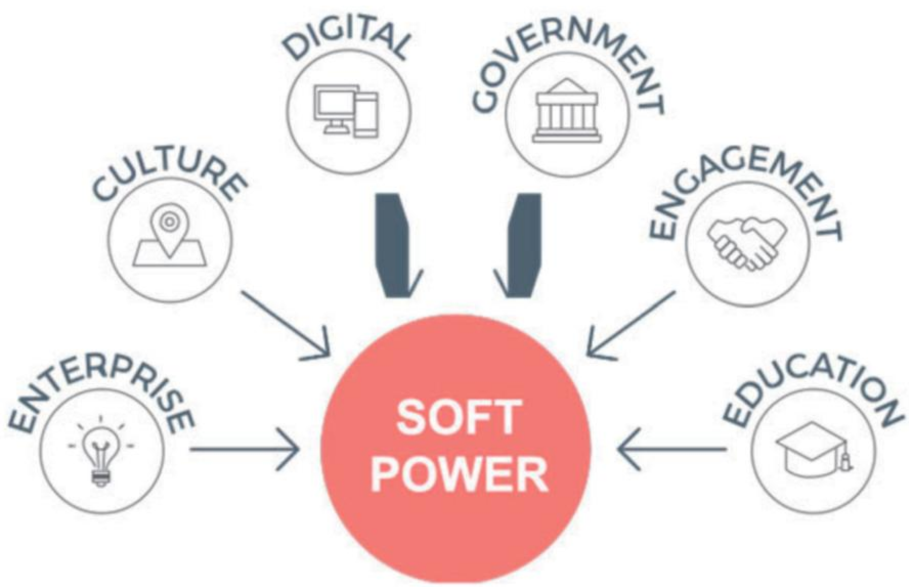

Figure 1. Soft Power 30 Index
Data source: McClory (2018, 32)

In its implementation, the management of international schools such as IISY faces various challenges, especially in terms of budget management efficiency. This research defines budget management efficiency as the dependent variable, measured through expenditure variance and efficiency ratios. Meanwhile, the independent variables consist of internal factors (budget planning accuracy, cost structure flexibility, and implementation control) and external factors (political-security conditions in Myanmar and student enrollment trends). IISY is managed under the auspices of the Indonesian Embassy in Yangon with an independent budget. The source of this school's revenue comes from IISY students' school fees. This school was established in the territory of the Indonesian Embassy in Yangon. Inefficient budget management can impact the quality of education services provided as well as reduce the effectiveness of IISY as a soft power diplomacy tool. Therefore, it is important to evaluate the extent of IISY's budget management efficiency in supporting Indonesia's soft power diplomacy in Myanmar.

Effective management of financial resources plays a crucial role in the success and sustainability of educational institutions around the world. In an increasingly competitive environment and with limited resources, the efficient allocation and utilization of the budget is critical to achieving educational goals and ensuring long-term sustainability. Educational institutions, including international schools, face unique and complex financial challenges. These challenges include diverse funding sources, international curriculum requirements, varying stakeholder expectations (such as parents, governing bodies, and sometimes international organizations), and the need to maintain high standards of education and facilities. The complexity of the financial structure of international schools is often higher compared to domestic schools due to these factors.

Budget management is the core function of institutional administration, including planning, allocation, implementation, and control of financial resources. Effective budget management is not only limited to compliance and control but also aims to optimize the use of resources to maximize results. Furthermore, efficiency is a very important aspect in budget management. In simple terms, efficiency can be defined as the achievement of desired educational outcomes with minimal resource input. This concept will be discussed further in this chapter.

Previous studies have established the importance of budget efficiency in educational institutions, yet significant research gaps remain, particularly concerning international schools operating in politically unstable environments. First, Ardiansyah (2023) examined budget effectiveness and efficiency at the Police Education and Training Staff and Leadership School in Indonesia, focusing on variance analysis in a stable domestic context. However, this study did not address the unique challenges faced by international schools with independent budgets and fluctuating enrollment. Second, Wulaningsih and Asriati (2024) explored financial management in educational institutions to enhance efficiency and effectiveness of resource utilization, emphasizing general principles of educational finance. Nevertheless, their research lacked specific analysis of cost structure rigidity and its implications for schools with high fixed costs. Third, Zai and Mendrofa (2023) investigated the role of financial management supervision on budget effectiveness at the PPKAD Office in Gunungsitoli City, highlighting the importance of oversight mechanisms. Yet, their study focused on government institutions rather than independent schools facing external political shocks. Fourth, Worthington (2001) provided a comprehensive survey of frontier efficiency measurement techniques in education, offering methodological insights for efficiency analysis. However, this seminal work did not examine contemporary challenges such as sudden enrollment declines due to political instability or the specific context of diplomatic educational institutions abroad.

These studies collectively demonstrate that while budget efficiency is well-researched in conventional educational settings, there is a significant gap in understanding how international schools under diplomatic auspices manage budget efficiency when confronted with external political crises, declining enrollment, and rigid cost structures. None of the previous research has specifically analyzed the intersection of soft power diplomacy objectives, independent school budget management, and political instability impacts on operational sustainability—the precise gap this study addresses.

The urgency of this research is underscored by three critical factors. First, IISY represents a strategic instrument of Indonesia's soft power diplomacy in Myanmar, and its financial sustainability directly impacts Indonesia's diplomatic presence and cultural influence in the region. Second, the unprecedented political crisis following Myanmar's 2021 military coup has created an acute operational environment that threatens the school's viability, with student numbers declining from 455 (2022-2023) to 366 (2024-2025)—a 19.6% decrease in just two years. Third, the school's budget inefficiency, documented at 104.20% in 2024-2025, signals an imminent financial crisis that requires immediate intervention to prevent institutional collapse. Without urgent analysis and corrective measures, IISY risks becoming financially unsustainable, which would not only terminate educational services for Indonesian and international students but also represent a significant setback for Indonesia's diplomatic engagement in Myanmar.

The novelty of this research lies in its unique contribution to the literature on educational budget management by examining, for the first time, the budget efficiency dynamics of a diplomatic international school operating in a post-coup environment. While existing studies have analyzed budget efficiency in stable domestic educational institutions or general international school contexts, no prior research has investigated how schools serving dual purposes—providing education and advancing soft power diplomacy—navigate budget management under conditions of political upheaval, dramatic enrollment volatility, and rigid cost structures imposed by diplomatic oversight. This study introduces a novel analytical framework that integrates variance analysis with context-specific factors, including embassy-mandated capital expenditures, currency fluctuation impacts (Myanmar Kyat), and the "death spiral" phenomenon where declining enrollment drives up per-student costs, potentially triggering further enrollment losses. Furthermore, this research pioneers the application of efficiency measurement in the context of educational institutions that operate under diplomatic rather than purely educational governance structures, where budget decisions involve both pedagogical and foreign policy considerations. By documenting how external political shocks interact with internal cost rigidities to produce budget inefficiency in diplomatic schools, this study fills a critical knowledge gap and provides theoretical and practical insights applicable to similar institutions worldwide operating in fragile or transitional political contexts.

This thesis will make the Indonesian International School Yangon (IISY) a specific case study. In its implementation, IISY is managed under the auspices of the Indonesian Embassy in Yangon with an independent budget. The source of this school's revenue comes from IISY students' school fees. This school was established in the territory of the Indonesian Embassy in Yangon. Inefficient budget management can impact the quality of education services provided as well as reduce the effectiveness of IISY as a soft power diplomacy tool. According to research conducted by Setiawan and Nugroho (2020), the efficiency of budget management is one of the key factors in the success of international educational institutions in achieving their strategic goals. Therefore, it is important to evaluate the extent of the efficiency of IISY's budget management.

The trend of decreasing student numbers at IISY from year to year reflects the severity of operational challenges. The table was obtained from the resource persons by conducting interviews. Not only does the number of new applicants continue to decline, but there are also students who leave in the middle of the school year. This phenomenon is influenced by various factors, including the unstable political and security situation in Myanmar, especially since the military coup in 2021. This condition not only impacts IISY's financial stability but is also feared to reduce the effectiveness of IISY as a tool for Indonesia's soft power diplomacy.

Political and economic instability in Myanmar poses a major challenge to IISY's operations. In a situation like this, the efficiency of budget management is very important to ensure the sustainability of school operations. Research by Rahman and Sari (2021) shows that international educational institutions operating in countries with high political risk require flexible and efficient budget management strategies to deal with uncertainty. This is relevant for IISY, given that its operational sustainability is highly dependent on the number of students enrolled. The decrease in the number of students has a direct impact on school income sourced from dues, thus affecting IISY's ability to provide quality education services.

Comparison between IISY income and expenditure reveals critical budget imbalances. IISY's largest expenditure is in the salary component of teachers and education personnel with a range of 52% to 60%. An in-depth analysis needs to be done to find out the complex dynamics between revenue growth and expenses. Despite the positive trend in revenue growth, particularly recorded in the local currency Myanmar Kyat (MMK), this was offset by a much more rapid increase in operating expenses, especially seen in the 2022 and 2023 periods. This increase in expenses fundamentally affects IISY's profitability.

If the profit calculation is based solely on the comparison between income and operating expenses, without taking into account capital investment, the indication indicates that profit margins tend to narrow, even potentially experiencing deficits in recent years. Therefore, to get an accurate picture of profitability, it is important to calculate the difference between total revenue and total operating expenses, excluding expenses that are investment in nature such as the construction of new buildings. This underscores the urgency for institutions to review their financial management strategies to maintain operational sustainability and ensure healthy growth in the future.

Budgets are a central element in modern organizational management, serving as a bridge between planning and control. More than just a tool for allocating funds, the budget has a multifunctional role, including as a tool for planning, control, coordination and communication, resource allocation, and motivation and performance assessment (Ali & Mahmood, 2025; Chaidir, 2023; Ordynskaya et al., 2021). Economic fluctuations, competition for resources, and rising operational costs (e.g., salaries, technology) force schools to do more with fewer resources. Efficient budget management is a crucial strategy to survive and grow. Additionally, international schools are likely to face unique financial complexities compared to local schools due to their international nature, such as currency exchange rate factors, international accreditation standards, international staff recruitment, and the potential for diverse funding models. Effective budget management is not only about cost savings but also about strategically allocating resources to achieve the school's educational mission and goals most effectively (Chukwuma-Eke et al., 2023; Liu et al., 2020; Mohzana, 2024). Focusing solely on cutting costs without considering the impact on the quality of education or student learning outcomes can be counterproductive. Efficiency should be associated with effectiveness in achieving the school's core goals. Research by Ayu et al. (2024) supports the view that good financial management can meet operational needs, minimize administrative costs, reduce operational costs without reducing the quality of education, and ensure the effectiveness and efficiency of resource use in educational institutions.

Although budget management is very important, the efficiency of budget management in educational institutions, including international schools such as Indonesian International School Yangon, is often not optimal. Inefficiencies in budget management can manifest in various forms in the school environment, including overspending in certain areas without a commensurate improvement in educational outcomes, suboptimal use of allocated funds, lack of transparency and accountability in financial processes, and obstacles in investment in necessary resources.

This inefficiency has the potential to have negative consequences for Indonesian International School Yangon. Therefore, research on the efficiency of budget management at Indonesian International School Yangon is needed to identify areas that need improvement and to ensure that resources are used effectively to support the school's mission.

Based on the background that has been explained, there are several main issues that need to be studied in this study, namely the level of efficiency of budget management at the Indonesian International School Yangon (IISY) and the factors that affect this efficiency. The purpose of this study is to analyze the level of budget management efficiency at IISY as well as identify factors that affect its efficiency. The expected benefit of this research is to contribute to the academic literature related to the efficiency of budget management of international educational institutions, as well as to assist IISY in optimizing more efficient budget management.

METHOD

This research focused on the Indonesian International School Yangon (IISY), which was established by the Embassy of the Republic of Indonesia (KBRI) Yangon in 2013. IISY not only functioned as an educational institution for Indonesian citizens and foreign citizens but also as a means to introduce Indonesian culture, language, and values. The management of IISY was under the Indonesian Embassy in Yangon with an independent budget derived from student dues.

This study used a descriptive quantitative approach to analyze the efficiency of IISY budget management by collecting financial and operational data from the 2021-2022 to 2024-2025 academic years. The population of this study comprised all financial and operational records of IISY during the observation period. Given the comprehensive nature of the financial data and the specific focus on IISY as a single case study, a census sampling method was employed, meaning all available financial records for the four academic years (2021-2022 through 2024-2025) constituted the sample. This approach ensured complete coverage of the institutional budget management patterns and eliminated sampling error, which was appropriate for case study research examining the entire operational history of a single institution during a critical period of political and financial instability.

The variables measured included: (1) the dependent variable—budget management efficiency, operationalized through expenditure variance and efficiency ratio; and (2) independent variables—internal factors (budget planning accuracy, cost structure rigidity, implementation effectiveness) and external factors (political-security conditions, student enrollment trends). Additional analytical variables included Cost per Student Ratio, Personnel Expenditure Ratio, and Non-Personnel Operational Expenditure Ratio.

Data collection methods included documentation and semi-structured interviews. Documentation involved systematic collection of IISY's annual financial statements (budget plans and realizations), student enrollment records, and operational reports for the 2021-2022 through 2024-2025 academic years, all obtained from IISY's administrative office with proper authorization. Semi-structured interviews were conducted with three key informants: the school principal, the financial manager, and a representative from the Indonesian Embassy in Yangon's education section. These interviews aimed to contextualize quantitative findings, understand budget decision-making processes, and identify external policy interventions affecting budget implementation. Secondary data sources included official financial statements recording revenue (primarily tuition fees) and expenditure (personnel and non-personnel costs), all denominated in Myanmar Kyat (MMK), as well as monthly student enrollment data disaggregated by grade level.

The collected data were analyzed using quantitative descriptive techniques, structured in three stages. First, expenditure variance analysis calculated the difference between planned and realized expenditure for each academic year using the formula: Variance = Planned Expenditure - Realized Expenditure. Positive variance indicated underspending (savings), while negative variance signaled overspending (deficit). Second, efficiency ratio calculation assessed budget efficiency using the formula: Efficiency Ratio = (Realized Expenditure / Planned Expenditure) × 100%. The efficiency criteria referred to the Ministry of Home Affairs Regulation No. 690,900,327 of 1996, which classified budget efficiency in five categories: Very Efficient (< 60%), Efficient (60-80%), Quite Efficient (80-90%), Less Efficient (90-100%), and Inefficient (> 100%). Third, supplementary financial ratio analysis included: (a) Cost per Student Ratio = Total Operational Expenditure / Number of Students, measuring the per-capita cost burden; (b) Personnel Expenditure Ratio = Total Personnel Expenditure / Total Expenditure, assessing cost structure rigidity; and (c) Non-Personnel Expenditure Ratio = Non-Personnel Operational Expenditure / Total Expenditure, evaluating resource allocation for facilities and programs. These calculations were performed using Microsoft Excel for data tabulation and SPSS version 26 for descriptive statistical analysis.

Factors that affected efficiency were identified through triangulation of quantitative findings and qualitative interview data. The analysis framework categorized influencing factors into four dimensions: (1) planning factors—accuracy of cost estimation and revenue projection; (2) external factors—political instability, security conditions, and macroeconomic variables (currency fluctuation); (3) implementation factors—budget control mechanisms and expenditure monitoring; and (4) human resource capacity—financial management competency and decision-making authority. Understanding the causes of spending variance was essential for an accurate interpretation of efficiency levels. In addition, the unique characteristics of IISY as the only school under the auspices of the Republic of Indonesia's representatives abroad were considered in this analysis.

RESULT AND DISCUSSION

Overview of Research Objects

Objects Research is the Indonesian International School Yangon (IISY), an international school under the auspices of the Embassy of the Republic of Indonesia (KBRI) Yangon in Myanmar. IISY operates with an independent budget that is mainly sourced from student dues. This study uses financial data from the Indonesian International School Yangon (IISY) for the

2021-2022 to 2024-2025 school year, which is entirely expressed in Myanmar Kyat (MMK) currency. Financial data includes budget planning and budget realization for revenue and expenditure, while student data is used to calculate the cost per student ratio as an indicator of operational efficiency.

In addition, data on the number of students for the 2021-2022 to 2024-2025 school years is used as the basis for calculating the cost ratio per student and analyzing operational efficiency. The data on the number of students shows a fluctuating trend, where there is a significant decrease from the 2022-2023 Academic Year (455 students) to 2023-2024 (427 students), which is influenced by the political and security situation in Myanmar. These dynamics pose a major challenge to the operational sustainability and profitability of schools, which are highly dependent on the efficiency of budget management.

As explained in Chapter III, the analysis was carried out using a descriptive quantitative approach with an emphasis on the analysis of budget variance, efficiency ratios, and relevant supporting financial ratios.

Revenue Effectiveness Analysis

Revenue effectiveness is measured by comparing revenue realization to revenue plans (Plan), as follows:

$$Revenue\ Effectiveness\ Ratio = \frac{Realized\ Revenue}{Planned\ Revenue} \times 100\%$$

Table 1. Revenue Effectiveness

Academic Year	Income Plan (MMK)	Realized Income (MMK)	Effectiveness (Realization/Plan)
2021-2022	1.178.192.991,19	916.735.976,39	**77,81%**
2022-2023	1.960.343.971,07	1.513.417.460,74	**77,20%**
2023-2024	1.441.923.000,00	1.250.346.300,00	**86,71%**
2024-2025	1.237.404.000,00	1.208.121.600,00	**97,63%**

The data shows a significant improvement trend in the effectiveness of IISY's revenue management. In the two 2021-2022 and 2022-2023 school years, revenue effectiveness was below 80%, indicating that revenue realization still could not reach the planned target. However, in 2023-2024, effectiveness increased drastically to 86.71%, and reached its peak in 2024-2025 with 97.63%.

Although the data on the Revenue Effectiveness Table shows a positive trend in terms of percentage increase from 77.20% (FY 2022-2023) to 97.63% (FY 2024-2025), it can be seen that this increase is not due to an increase in school capacity to generate income, but due to a drastic adjustment in targets.

Note that the 'Plan Revenue' decreased sharply from MMK 1.96 billion in FY 2022-2023 to only MMK 1.23 billion in FY 2024-2025. This indicates that management has taken a defensive step by lowering revenue expectations significantly to adjust to the reality of declining student numbers. Therefore, this 97.63% effectiveness must be interpreted as a success in pessimistic predictions, not an indication of financial performance growth. This condition signals that schools are in a phase that demands stricter cost efficiency than before.

Calculation of Expenditure Variance and Efficiency Ratio

The measurement of the efficiency level of IISY budget management is carried out by calculating the Expenditure Variance (Realization - Plan) and Efficiency Ratio (Realization/Plan) for each Academic Year. This analysis uses data on Planned Expenditure and Realization Expenditure in the MMK unit (Myanmar Kyat) and refers to the efficiency criteria of the Ministry of Home Affairs No. 690,900,327 of 1996.

$$Shopping\ Variance = Planned\ Shopping - Realized\ Shopping$$

Table 2. Calculation of Expenditure Variance and Efficiency

Academic Year	Expenditure Plan (MMK)	Realization Expenditure (MMK)	Expenditure Variance (MMK)	Efficiency (Realization/Plan)	Assessment Criteria
2021-2022	975,657,047.55	786,397,770.73	189,259,276.82	80.60%	Quite efficient
2022-2023	1,566,949,497.83	1,569,976,611.66	(3,027,113.83)	100.19%	Inefficient
2023-2024	1,441,278,510.00	1,298,369,291.00	142,909,219.00	90.08%	Less Efficient
2024-2025	1,228,308,900.00	1,279,854,337.00	(51,545,437.00)	104.20%	Inefficient

Based on calculations, the efficiency level of IISY's budget management showed significant fluctuations during the observation period. The 2021-2022 Academic Year achieved an efficiency ratio of 80.60%, categorized as Quite Efficient. The positive variance of MMK 189,259,276.82 indicates that the realization of expenditure is lower than planned, indicating savings.

In the 2022-2023 school year, the efficiency ratio jumped to 100.19%, categorized as Inefficient. The negative variance (deficit) of MMK (3,027,113.83) indicates the realization of expenditure that exceeds the budget. Although the percentage is slightly above 100%, this underscores the failure in budget control. In the 2022-2023 school year, IISY installed *solar panels* and vehicles which is a policy of the leadership of the Indonesian Embassy in Yangon, while this had not been planned beforehand.

Academic Year 2023-2024 Its efficiency ratio is 90.08%, placing it in the Less Efficient category. A large positive variance (MMK 142,909,219.00) again shows savings or lack of realization of expenditure compared to planned.

Academic Year 2024-2025: The worst efficiency with a ratio of 104.20%, again categorized as Inefficient. Significant negative variance (MMK (51,545,437.00)) indicates the highest level of waste or unplanned expenditure during this period. In the 2024-2025 school year, IISY will build changing rooms, school canteen roofs, playground repairs, and so on which are policies of the leadership of the Indonesian Embassy in Yangon, while this has not been planned beforehand.

An analysis of expenditure variances in FY 2022-2023 and 2024-2025 which are 'Inefficient' (ratio >100%) highlights fundamental weaknesses in IISY's budget governance flexibility. The budget deficit caused by the procurement of unplanned assets, such as the installation of solar panels (FY 2022-2023) and the renovation of canteen/playground infrastructure (FY 2024-2025), actually reflects Uncontrollable Variance from the perspective of school management.

In sound financial management practices, capital expenditure that arises in the middle of the current year should be compensated by an increase in the budget ceiling. The absence of this mechanism makes school financial statements look 'wasteful' (inefficient), even though the main cause is top-down external decisions that are not integrated with the annual planning cycle. This implies the need to reform the budgeting procedures between schools and the Indonesian Embassy so that managerial performance accountability can be measured fairly.

Based on the Ministry of Home Affairs No. 690,900,327/1996, ideally IISY must achieve an efficiency level of at least Efficient (60% ≥ Efficiency Ratio ≤ 80%). In the context of Performance-Based Budgeting (PBK), the ideal variance is close to zero (0), indicating that the budget prepared (plan) can really be fully implemented (realization), so that the performance target is achieved.

A 100% < ratio (Positive Variance) indicates savings, but if the savings are made, it can also indicate that the planned activities/programs are not fully implemented, so that operational performance and education targets are not achieved. A 100% ≥ ratio (Negative Variance/Deficit) indicates spending over budget, which is absolutely categorized as Inefficient and indicates a failure of fiscal control.

Inefficiencies in the 2022-2023 & 2024-2025 Academic Year are the most serious situations. The realization of expenditure exceeded the set budget (100.19% and 104.20%). This indicates that there are unplanned expenses, or very low cost estimates during planning, which lead to budget deficits.

Negative variance can lead to a liquidity crisis. If the school does not have a backup source of funds, this deficit may disrupt future operations or require the withdrawal of funds from cash that would otherwise be used for long-term investments. This also undermines the credibility of the budget planning process in the eyes of stakeholders, in this case the Indonesian Embassy in Yangon.

Under-Spending Inefficiency in the 2023-2024 Academic Year with a ratio of 90.08% (Less Efficient) shows a budget overflow of 9.92%. Although financially it looks like a surplus, in the context of PBK, it indicates that almost 10% of the planned program cannot be implemented.

In the condition of Large Positive Variance, although there are savings, the hidden impact is the potential for a decrease in the quality of education. If funds for facility maintenance, teacher training, or the purchase of teaching materials are saved or not realized, the competitiveness and quality of the core school will be eroded.

IISY must immediately strengthen internal control and improve the accuracy of budget planning. This includes implementing Quarterly Variance Analysis and adopting more adaptive budgeting methodologies such as Scenario-Based Budgeting to anticipate external turmoil (declining students, currency fluctuations) that are proven to dominate inefficiencies.

Additional Ratio Analysis

To get a comprehensive picture, an analysis was conducted on three additional financial ratios that are relevant to educational institutions: Expense Ratio per Student, Employee Expenditure Ratio, and Non-Employee Expenditure Ratio.

1. Cost Ratio per Student

Compare the total operational costs of the school with the number of students. A decrease in this ratio over time (with the quality of education maintained or improved) may indicate an increase in efficiency.

$$Cost\ per\ Student\ Ratio = \frac{Operational\ Cost\ Total}{Total\ Students}$$

Table 3. Cost per Student Ratio (RBS)

Academic Year	Number of Student(s)	Realization Expenditure (TB) (MMK)	Cost per Student Ratio (RBS) (MMK)
2021-2022	402	786,397,770.73	1,956,213.36
2022-2023	455	1,569,976,611.66	3,450,498.05
2023-2024	427	1,298,369,291.00	3,040,677.50
2024-2025	366	1,279,854,337.00	3,496,869.77

There was a drastic jump in RBS from 2021-2022 (MMK 1,956,213.36) to 2022-2023 (MMK 3,450,498.05), which almost doubled. This increase occurred simultaneously with an increase in the number of students (402 to 455) and a total surge in Expenditure Realization (almost doubled). This shows that the increase in spending far outstrips the growth in the number of students, indicating a decrease in cost efficiency per student.

In 2024-2025, although Total Realized Expenditure decreased slightly, RBS reached its highest peak (MMK 3,496,869.77). This is due to a significant decrease in the number of students (to 366), which directly increases the burden of operational costs per student. In the school fee structure, fixed costs such as teacher salaries and building maintenance are very dominant. When the number of students drops drastically from 455 (FY 2022-2023) to 366 (FY 2024-2025), the fixed fee must be borne by fewer divisors (students).

This phenomenon creates a serious financial risk called the 'Death Spiral': the increasingly high cost per student presses on operating margins, which may force schools to raise tuition fees. However, tuition increases amid political instability have the potential to trigger more students to drop out, which in turn will increase the cost per student. The high RBS in 2024-2025, even though total school spending has decreased, proves that ordinary cost cutting measures are no longer able to keep up with the rate of decline in income due to student disappearance.

RBS should be stable or declining (if there is cost efficiency) in line with the growth in the number of students (economies of scale), as long as the quality of education is maintained. A drastic increase in RBS must be justified by an equivalent improvement in the quality of service (e.g., a smaller teacher-student ratio or substantial investment in new technology/facilities).

RBS achieved the highest value in FY 2024-2025 (MMK 3,496,869.77), although total spending decreased slightly from the previous year. The increase in RBS in FY 2024-2025 was driven by a significant decrease in the number of students (from 427 to 366). A high RBS indicates an acute decline in cost efficiency. The burden of operational costs per student is very expensive. Since school income is sourced from student dues, high RBS directly erodes profit margins or exacerbates budget deficits. This puts IISY in a very vulnerable position to market changes.

If the number of students continues to decline (as seen in the 2024-2025 academic year) while fixed fees cannot be reduced, RBS will continue to increase. This condition can threaten the operational sustainability of IISY. Schools are at risk because the high cost per student can force an increase in dues, which in turn encourages students to move, so the RBS is even higher. IISY must focus on two things, namely increasing the number of students and optimizing costs by reviewing the spending structure.

2. Ratio of Employee Expenditure to Total Expenditure

This ratio measures the proportion of the budget allocated to staff salaries and benefits.

$$Employee\ Expenditure\ Ratio\ = \frac{Total\ Realized\ Expenditure}{Total\ Expenditure}$$

Table 4. Employee Spending Ratio

Academic Year	Employee Expenditure (MMK)	Total Realization Expenditure (MMK)	Employee Expenditure Ratio (%)
2021-2022	594,967,765.37	786,397,770.73	75.66%
2022-2023	805,064,495.17	1,569,976,611.66	51.28%
2023-2024	978,064,500.00	1,298,369,291.00	75.33%
2024-2025	984,595,500.00	1,279,854,337.00	76.93%

The dominance of Employee Expenditure which reached 76.93% of total expenditure in FY 2024-2025 shows an extreme level of Budget Rigidity. With almost 77% of funds locked in fixed salary costs and difficult to reduce in the short term, management's room to maneuver operations is very limited.

The Employee Expenditure Ratio is generally above 75% of total spending, except in 2022-2023 which dropped drastically to 51.28%. The decline in 2022-2023 was not caused by a decrease in employee spending, but by a significant increase in Total Realized Expenditure. This indicates an increase in large expenses that are not included in the category of Employee Expenditure.

In 2023-2024 and 2024-2025, the return ratio is high and even reaches 76.93% (2024-2025). Although employee spending is the school's main expense, the very high (above 75%) and rising ratio indicates a potential budget inflexibility, where most funds are locked in fixed costs, limiting allocations for non-employee operational activities (such as curriculum, facilities, and technology) that can improve the quality of education.

The persistently high employee expenditure ratio indicates a lack of budget flexibility. The funds available for Non-Employee Expenditure (facilities, technology, curriculum) have become very limited (about 23%). This can hinder innovation and facility renewal, which is an essential element for maintaining the competitiveness of international schools. If this ratio continues to rise above 75% as students decline, schools will be forced to face the choice of drastically increasing dues, reducing teacher numbers or compensation, or sacrificing the quality of facilities and other support programs.

3. Ratio of Non-Employee Operating Expenditure to Total Expenditure

This ratio measures the proportion of the budget used for teaching and learning activities, facility maintenance, administration, and other activities outside of salary. Efficiency can be seen from the optimization of the use of this budget to support core school activities.

$$Non - Employee\ Operational\ Expenditure\ Ratio = \frac{Total\ Non - Employee\ Operational\ Expenditure}{Total\ Expenditure}$$

Table 5. Non-Employee Spending Ratio

Academic Year	Non-Employee Expenditure (MMK)	Total Realization Expenditure (MMK)	Non-Employee Spending Ratio (%)
2021-2022	191,430,005.36	786,397,770.73	24.34%
2022-2023	764,912,116.48	1,569,976,611.66	48.72%
2023-2024	320,304,791.00	1,298,369,291.00	24.67%
2024-2025	295,258,837.00	1,279,854,337.00	23.07%

This ratio shows a trend that is inversely proportional to the Employee Expenditure Ratio. In 2022-2023, it has the highest Non-Employee Ratio (48.72%). This is consistent with the findings in the Employee Ratio, namely that there is a surge in Total Realized Expenditure dominated by non-employee expenditure (possible capital investment), which temporarily changes the composition of costs.

In other years, the Non-Employee Ratio ranges from 23.07% to 24.67%. The low ratio on an ongoing basis indicates limited funds allocated to facility maintenance, technology upgrades, and curriculum development programs. The impact is the potential for a decline in quality standards and delays in repairing crucial facilities, making the learning environment less attractive and less modern than competitors. If the allocation for these posts is maintained at a low level, IISY risks a decline in market attractiveness and a loss of competitive advantage as the facilities and infrastructure cannot keep up with the development of other international schools.

The most serious implication of the depressed Non-Employee Expenditure Ratio at 23.07% creates a Crowding Out Effect: the large salary burden 'pushes out' the allocation of funds for improving the quality of direct education, such as the rejuvenation of teaching aids, learning technology, or curriculum development. If this trend continues, IISY faces the risk of stagnation of service quality, where schools can only afford to 'pay teachers' but cannot afford to finance quality 'educational activities'. In the long run, this can reduce IISY's competitiveness compared to other international schools, exacerbating student retention problems.

IISY must assess each non-employee expenditure based on its contribution to the school's strategic objectives, ensuring that the limited funds are actually used optimally and efficiently.

Identify Factors Affecting Efficiency

The inefficiency of IISY's budget management, as reflected in the Efficiency Ratio that often exceeds 90% (Less Efficient or Inefficient) and the sharp surge in RBS, is influenced by a combination of external and internal factors.

Externally, political and security instability in Myanmar Since the military coup in 2021, the unstable political and security situation in Myanmar has been the dominant external factor affecting IISY's operations. This factor also affects the decrease in the number of students who register and causes students to withdraw (withdraw). This can be seen from the downward trend in the number of students from 455 (2022-2023) to 366 (2024-2025). Since school income depends on student dues, this decrease directly reduces income, but operating costs (especially salaries which are fixed costs) are not proportionately reduced. This impact increases the Cost Per Student Ratio drastically (MMK 3,496,869.77 in 2024-2025).

From the internal side, incorrect cost estimates cause negative variance to occur in 2022-2023 and 2024-2025, indicating that there is a realization of expenditure that exceeds planning. This indicates a weakness in the process of estimating costs or volume of activities during budget preparation (Planning Factors). The planning error can also be caused by the policy of the leadership of the Indonesian Embassy in Yangon which oversees IISY.

Lack of Budget Flexibility is also an influencing factor. A high and stable Employee Expenditure Ratio (above 75%) indicates a high portion of fixed costs, which makes the budget less flexible in responding to changing student numbers and external challenges.

There is excessive or suboptimal spending. Negative variances resulting in the Inefficient category (100.19% and 104.20%) literally indicate a larger than expected expenditure, or a realization that does not go according to plan.

Different implementations of the plan make for large positive variances in 2021-2022 and 2023-2024 (especially 90.08% Less Efficient) although it indicates savings, but from a budgeting perspective, it can also indicate that programs/activities cannot be implemented as planned due to internal or external constraints. Significant savings can mean the expected output of the spending program is not achieved.

Discussion

Overall, the challenges faced by IISY are not only operational inefficiencies, but also more fundamental structural and institutional issues. Internally, schools are trapped in a high *fixed cost* structure, a condition that puts IISY in a position of high financial vulnerability if the downward trend of students continues until it breaks even *point*. Meanwhile, from the external side, the strategic spending intervention from the Indonesian Embassy in Yangon that is not balanced with the budget adjustment mechanism has distorted the validity of school financial planning. Therefore, the 'Inefficient' status recorded in the last year cannot be interpreted narrowly as a failure of management in making savings alone, but rather reflects the inability of the current budgeting system to adapt to external influences, such as Myanmar's political instability and the policy dynamics of the Indonesian Embassy in Yangon. In the absence of a significant transformation of the business model or the injection of funding beyond tuition, this trend of increasing the Cost per Student Ratio (RBS) has the potential to persistently erode the school's cash reserves and threaten the long-term sustainability of operations.

CONCLUSION

A quantitative descriptive analysis of the Indonesian International School Yangon (IISY) budget management from the 2021-2022 to 2024-2025 academic years revealed unstable and predominantly inefficient performance: quite efficient in 2021-2022 (80.60%), less efficient in 2023-2024 (90.08%), and inefficient in 2022-2023 and 2024-2025 due to expenditure realizations exceeding plans. Negative variance signaled weak budget control and wasteful spending, while positive variance indicated suboptimal program realization; the Cost Per Student Ratio rose sharply amid declining enrollment, amplifying fixed cost burdens. External factors like Myanmar's political-security instability drove student and revenue drops, compounded by rigid cost structures (high personnel spending), poor planning accuracy, and inadequate controls. Recommendations for *IISY* include enhancing budget planning sensitivity to cost and enrollment fluctuations, optimizing non-personnel expenditures for operational efficiency and education quality, and boosting revenue via internal/external student recruitment promotions to ensure sustainability. For future research, a comparative study across multiple diplomatic schools in unstable regions could validate these findings and explore adaptive financial models integrating AI-driven forecasting.

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