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The Burden of Education Costs for the Middle Class in Indonesia: An Analysis of Challenges and Implications

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This study examines the rising education costs in Indonesia and their impact on middle-class families who serve as the backbone of the nation's economy and social structure. The research aims to identify the definition and characteristics of the middle class, analyze the structure and trends of increasing education expenses, and assess the financial burdens they face. Using a descriptive qualitative approach, the study explores how the escalating costs—comprising tuition fees, development contributions, living expenses, and hidden costs—place middle-class families in a disadvantaged position. The findings reveal that these families often fall into a “squeezed middle” condition: ineligible for poverty-targeted assistance yet unable to comfortably afford high-quality education. This financial strain limits accessibility, weakens human resource quality, reduces social mobility, and creates risks for long-term national economic development. In response, families adopt adaptation strategies such as long-term financial planning, saving and investing, seeking scholarships, and improving financial literacy. At the policy level, comprehensive interventions are required to balance affordability and quality. The conclusion emphasizes that addressing education costs is critical to ensuring equitable access, supporting social mobility, and strengthening Indonesia's pathway toward sustainable national development.

Keywords ; education costs, middle class, financial burden, social mobility

INTRODUCTION

Education is widely acknowledged as a strategic investment and a critical driver for social mobility and national development. In Indonesia, the middle class holds an essential role as the backbone of the market economy and a primary driver of consumption (Edo & Yasin, 2024). However, rising education costs have emerged as a pressing issue that directly affects this group. Middle-class families often experience the so-called "squeezed middle" condition, where they are excluded from government subsidies due to not being categorized as poor, yet they are financially burdened by escalating education expenses (Aerospace & Ramadhan, 2024). This situation poses a significant challenge for families who aspire to secure a better future through education.

The importance of addressing this issue lies in the dual impact it creates: for individuals, the financial burden limits access to quality education, while for the nation, it potentially undermines human capital development and long-term economic growth. The complexity is further heightened by varying definitions and socioeconomic characteristics of the middle class, which influence how education cost burdens are perceived and how policies are targeted (Hamdani, 2024; Mahendra, 2024). This article discusses the dynamics of education costs in Indonesia with a particular focus on the middle class. The discussion is structured into three main aspects: defining and characterizing the middle class, analyzing their socioeconomic conditions and consumption patterns, and examining the components and trends of rising education costs. By synthesizing these perspectives, the article aims to formulate policy recommendations and adaptation strategies that can support middle-class families in overcoming the challenges of education financing.

Definition and Characteristics of the Middle Class in Indonesia

Understanding who belongs to the middle class in Indonesia is a crucial step before analyzing their education-related financial burdens. However, the definition of the middle class is not uniform, as it varies across institutions and survey years, leading to challenges in policy targeting.

The World Bank generally classifies the middle class based on expenditure, with a range between Rp 1 million and Rp 6 million per person per month (Primary, 2024). In its earlier classification, the range was set at US\$2–10 per capita per day, equivalent to Rp 1–5 million monthly per person at current exchange rates (Kusnandar, 2025). The World Bank also distinguishes a “towards middle class” group, with expenditures between Rp 500,000 and Rp 1 million (Primary, 2024).

Meanwhile, the Central Statistics Agency (BPS) defines the middle class in its 2024 data as those with expenditures between Rp 2,040,262 and Rp 9,909,844 per capita per month (Hamdani, 2024). Observations indicate that the majority of middle-class households spend closer to the lower threshold of this bracket (Mahendra, 2024). The Asian Development Bank (ADB), on the other hand, applied an absolute consumption-based approach in 2010, with thresholds of US\$2–20 per day, and further subdivided the middle class into lower (US\$2–4), middle (US\$4–10), and upper (US\$10–20) segments (Nizar, 2015).

These differing definitions highlight the complexities in accurately measuring the middle class. Variations in classification significantly affect the perceived size, composition, and vulnerability of this group, which in turn influences how education cost burdens are understood. Moreover, the lack of consensus complicates the design of targeted and effective education financing policies.

Socio-Economic Characteristics

Beyond the definition based on expenditure, the middle class in Indonesia also has distinct socioeconomic characteristics: First, employment. The majority of middle-

class workers are employed in the formal sector. However, the proportion of middle-class workers in the formal sector has reportedly declined. Data on 2023 showed that the majority, namely 72.4%, of middle-class workers are in low-productivity sectors, generally in low-value-added services sectors (Reza & Sukri, 2024).

Higher education is highly valued within this group. More than half of the middle-class population (62.24%) has a high school or college education. Middle-class families consistently prioritize their children's education, even willing to pay exorbitant costs to send their children to a good university or college (Mahendra, 2024).

Then there is Lifestyle and Asset Ownership, namely common characteristics often associated with the middle class, including home ownership, private vehicles, pension security, access to quality healthcare, and the ability to vacation with family. However, there is a contradiction in the data. Despite these aspirations, many middle-class families still experience difficulties in owning a decent home; approximately 39.9% of the middle class lived in uninhabitable homes in 2023. Interestingly, there is a shift in spending patterns where allocations for entertainment and parties tend to increase, while the proportion of spending on food and housing decreases. In fact, spending on cigarettes and alcohol is reported to reach 7% of household expenditure, exceeding the proportion for human capital investment, which is less than 5%. This indicates a complexity in spending priorities and a potential lack of financial literacy that could divert funds from crucial investments such as education.

Another thing is Consumption Behavior and the Role of the Economy where The middle class is a rapidly growing consumer segment and a key driver of e-commerce expansion, contributing up to 70% of this growth (Suteja, 2024). They have increasing purchasing power, modern consumption habits, and dynamic lifestyles (Reza & Sukri, 2024). Economically, the middle class is the main contributor to tax revenue, contributing 50.7% of total tax revenue, and together with the aspiring middle class, their contribution reaches 85.2% (Rezk., 2024). Consumption by the middle class and aspiring middle class groups will reach 82.3% of total household consumption in Indonesia in 2023.

Middle-class aspirations for a quality education for their children often clash with increasingly challenging financial realities. Shifting consumption patterns, including spending on non-essential items, can reduce their capacity to invest in education.

Components and Trends in Increasing Education Costs

Understanding the structure of education costs and their increasing trends is crucial for assessing the financial burden faced by middle-class families. Education costs can be categorized into several main components, both direct and indirect, which continue to rise. The primary issue is the Education Cost Components, which can be broadly divided into several categories:

First, Direct Costs are expenses explicitly related to the educational process. For primary and secondary education, these components include registration fees and initial school fees, the Education Development Contribution (SPP) or monthly tuition, books and stationery, school uniforms and attributes, transportation costs, meal and pocket

money, extracurricular and special activity costs, tutoring or additional courses, and exam fees. Many of these costs, such as transportation, extracurricular activities, and additional tutoring, are variable or "hidden" costs, making the total financial burden less predictable and more difficult to budget.

Indirect Costs, which include costs outside the school's direct budget, or "opportunity costs." For example, the potential income lost by students or families due to time spent studying rather than working. For middle-class families, providing an education for their children means sacrificing their potential economic contribution, especially at higher levels of education.

For higher education, the cost components have more specific terms and structures, such as the Single Tuition Fee (UKT), which is a fee paid each semester at State Universities (PTN) and is adjusted to the economic capacity of the student's parents/guardians. The amount of UKT is calculated based on various factors, including parents' gross income, family per capita income, parents' type of employment, home conditions (ownership status, electricity usage), and the amount of Land and Building Tax (PBB). (Lianovanda, 2024) UKT is part of the Single Tuition Fee (BKT) borne by students, while the rest is subsidized by the government.²⁸ Generally, there are several UKT categories, ranging from lowest to highest, such as 7 to 10 categories at Malang State University. For example, at UGM, a per capita income of Rp 5-10 million per month places a family in UKT Category V. (Lianovanda, 2024)

The second is the Institutional Development Fee (IPI) / Education Development Fund Contribution (SDP2) / Education Implementation Participation Fee (UP3). This is a one-time initial fee paid at the beginning of registration or re-registration. This fee is generally charged to students accepted through independent pathways, collaborative pathways, international classes, or foreign nationals. Students accepted through national selection channels such as the National Achievement-Based Selection (SNBP) and the National Test-Based Selection (SNBT) are not subject to IPI. These initial fees are often substantial, posing a significant barrier to entry for middle-class families who may be able to afford semester fees but struggle with the large initial payment.

Third is pocket money. In addition to institutional fees, student living expenses also constitute a substantial expenditure component. Data shows that pocket money is the largest component of total higher education expenditure, reaching 35.13% in the 2023/2024 academic year. (Prime, 2024) This shows that living costs during study, especially for students who are studying away from home, can be a greater financial burden than the tuition fees themselves.

The Trend of Increasing Education Costs

Education costs in Indonesia have shown a significant and sustained upward trend. Several studies indicate that education costs have increased by around 20% per year in recent years (Tazkia, 2024). Education inflation is also seen at all levels, with elementary school fees experiencing inflation of 1.59%, junior high school 0.78%, and college or university 0.46% in 2024. (Prudential, 2024)

Factors driving these cost increases include the general cost of living, the cost of teaching materials, and the operational costs of educational institutions. The government often states that the increase in UKT at state universities is aimed at improving the quality of education (Siburian, 2024). However, this claim often clashes with the government's limited fiscal capacity. If government funding is insufficient, state universities are forced to rely on student funding through UKT (tuition fees) (Siburian, 2024). This creates a dilemma where the promised increase in quality comes with a greater financial burden on families. Significant and ongoing cost increases, coupled with education inflation, make financial planning for education extremely challenging for middle-class families. High tuition fees (UKT) and large initial fees are major barriers, especially for non-regular admissions, which are often the only option for students who fail to gain entry through the more competitive, fee-free selection process.

METHOD

This study applies a descriptive qualitative approach to analyze the dynamics of increasing education costs in Indonesia and their impact on the middle class, particularly in relation to government policies such as Perguruan Tinggi Negeri Berbadan Hukum (PTN-BH) and Badan Layanan Umum (BLU). The descriptive qualitative method was chosen because it enables the presentation of a systematic, factual, and accurate overview of the observed phenomena (Mappasere, SA, & Suyuti, 2019). Within this approach, research does not aim at statistical generalization but rather at achieving a comprehensive understanding of processes and meanings within their natural context. The researcher functions as the primary instrument of analysis, guided by theoretical frameworks to ensure relevance and focus while maintaining authenticity (Creswell & Poth, 2018).

Data Sources

The data used in this study were obtained through an extensive literature review, incorporating both primary and secondary sources. Primary data include journal articles in the fields of humanities, human resource management, organization, and economics that specifically address the issue of education costs in Indonesia. Secondary sources consist of textbooks and monographs published by reputable academic publishers in the fields of management, education, and technology. The inclusion criteria were determined based on three aspects: (1) direct relevance to the research questions, (2) credibility of the author and publisher, and (3) recency of the publication, with emphasis on works published within the last ten years. Special priority was given to peer-reviewed journal articles to ensure academic rigor and validity.

Data Collection Procedures

The process of collecting data followed four stages. First, keyword identification was conducted using terms such as education cost, PTN-BH, BLU, middle class, scholarships, affordable education, and education cost regulation across academic databases including Google Scholar, ScienceDirect, and Scopus. Second, initial screening was performed based on titles and abstracts to select literature most relevant

to the research focus. Third, full-text reviews were carried out to ensure depth of relevance and to extract substantive insights. Fourth, systematic data extraction was conducted to obtain information related to education costs, financial burdens on middle-class families, policy mechanisms, and recommendations proposed in the literature.

Data Analysis

The data analysis employed qualitative content analysis with several steps. First, data were organized according to central themes such as cost components, socioeconomic challenges, and adaptation strategies. Second, coding was applied both inductively, to identify emergent patterns, and deductively, based on existing theoretical perspectives. Third, categorization and thematization were carried out by merging codes into broader categories and themes, thereby capturing dominant perspectives and identifying contradictions within the literature. Fourth, interpretation was conducted to construct a coherent narrative that explains the phenomenon and addresses the research objectives. Fifth, verification was undertaken by cross-checking consistency of findings across multiple sources, which served as a form of internal triangulation to ensure the reliability of results (Pugu et al., 2024).

Through this method, the study seeks to provide a rigorous and contextually grounded understanding of how the burden of education costs affects Indonesia's middle class, while also identifying potential implications for policy and practice.

RESULT AND DISCUSSION

Financial Burdens Faced by the Middle Class

The findings of this study reveal that the Indonesian middle class is increasingly exposed to severe financial pressures, particularly in the domain of educational expenditures. This condition is widely recognized as the “*Terjepit*” phenomenon, a situation where middle-class families are caught between two extremes of society. On the one hand, they do not qualify for poverty-targeted social assistance schemes. On the other hand, they lack the financial resilience of the affluent group, which allows the latter to absorb rising educational costs without significant hardship (Aerospace & Ramadhan, 2024).

Former Minister of Education and Culture, Anies Baswedan, described this paradox as a “double exclusion” for the middle class. Poor families are eligible for various subsidies and assistance programs such as the Smart Indonesia Program (PIP) and the Smart Indonesia Card (KIP), which require an *SKTM* (Certificate of Inability) or income proof below Rp 1 million per month (Apriyani et al., 2022). Meanwhile, wealthy families can easily afford tuition fees without such assistance. In contrast, middle-class families—who are neither classified as poor nor affluent—are excluded from most government assistance schemes, yet simultaneously experience significant financial strain in sustaining their children's education. Table 1 provides an overview of existing education subsidies and their limitations for middle-class households.

Table 1
Subsidies and Limitations for Middle-Class Families

No	Assistance Program	Target Group	Description
1	Smart Indonesia Program (PIP)	Poor households	Requires SKTM or verified low income
2	Smart Indonesia Card (KIP)	Poor households	Covers tuition, excludes middle-class families
3	BOS (School Operational Assistance)	All public schools	Insufficient to cover operational costs, particularly burdensome for the middle class

Data Source : Apriyani et al. (2022); Arsal & Hidayat (2024)

Although BOS funding helps alleviate part of the burden, its limited scope and scale are inadequate to address the actual costs borne by families. Parents are still responsible for textbooks, uniforms, extracurricular activities, and additional school contributions. These costs, while seemingly minor individually, accumulate to create a heavy financial burden for lower-middle and middle-income families. The findings suggest that the subsidy structure is regressive for the middle class, as it provides significant relief for the poor, marginal relief for the rich, but virtually no effective support for those in the middle.

Declining Purchasing Power and Rising Debt

Another significant finding is the contraction of Indonesia's middle-class population over the past five years. In 2019, this group numbered 57.33 million people, representing 21.45% of the national population. By 2024, this figure had dropped to 47.85 million, equivalent to only 17.13% (Kristardi, 2024). This decline of 9.49 million people demonstrates the vulnerability of the middle class to macroeconomic shocks.

The COVID-19 pandemic and subsequent waves of layoffs significantly reduced household incomes, eroding the middle-class base. In addition, government fiscal policies such as the planned increase of Value Added Tax (VAT) to 12% by 2025 further threaten to exacerbate the decline. The shrinking of the middle class is a serious concern, given that this group has traditionally been seen as a stabilizing force for both political democracy and economic development.

Household expenditure patterns also reveal deteriorating financial conditions. Between 2014 and 2018, per capita expenditure in the middle class increased by 7.01% annually. However, between 2018 and 2023, the growth rate slowed dramatically to only 1.29% (Rezk, 2024). This sharp decline reflects stagnating wages and rising costs of living. In parallel, the proportion of household spending allocated to food rose from 41.05% in 2019 to 41.67% in 2024, while housing costs increased from 27.8% to 28.52% (Theodora, 2024).

These shifts in spending patterns demonstrate a “crowding out effect,” in which rising basic necessities reduce the discretionary income available for educational

investment. Furthermore, many households have increasingly relied on debt to meet daily needs, with debt-to-income ratios among middle-class families steadily rising (Reza & Sukri, 2024). Alarming, part of this borrowing is directed toward consumptive purposes, including non-essential goods, online loans, and even online gambling. Such practices not only worsen household financial instability but also erode the capacity to invest in long-term assets such as education.

Implications for Human Resources and National Development

The implications of rising education costs extend beyond household finances, influencing broader societal and national development outcomes. **Limited Accessibility to Education.** The findings show that higher education participation in Indonesia remains relatively low, at approximately 31.45% of the eligible population (Savitri, 2024). For many middle-class students, tuition fees represent a primary barrier, despite strong academic potential and aspirations (Mahendra, 2024). The increasing Single Tuition Fee (UKT) across universities has exacerbated this problem, restricting access for families that are neither poor enough to qualify for aid nor rich enough to afford fees comfortably (Nurmuhaemin, 2024). This condition perpetuates inequality by preventing capable students from pursuing higher education solely due to financial constraints.

Impact on Human Resource Quality and Social Mobility. Education plays a central role in fostering vertical social mobility and enhancing human resource quality. However, when high costs reduce accessibility, the capacity of education to serve as a driver of mobility diminishes. Families with sufficient resources can secure quality education and subsequent economic opportunities, while those without are trapped in cycles of stagnation (Edo & Yasin, 2024; Santo, 2024). This outcome risks transforming education from an “equalizer” into a “divider,” thereby widening socioeconomic gaps. Furthermore, as Sarjito (2024) argues, intergenerational inequality is reinforced when education opportunities are limited, locking disadvantaged families into persistent poverty traps.

Impact on National Economic Development. The consequences of these patterns are profound at the national level. Indonesia’s low performance in international assessments such as PISA 2022 (72nd out of 79 countries) demonstrates persistent weaknesses in educational quality (Salsabilla, 2023). Despite the constitutional mandate that at least 20% of the state budget be allocated to education, the effectiveness of this spending remains questionable. Studies show that government education spending contributes positively to GDP per capita, but the magnitude of its impact is relatively limited, suggesting inefficiencies in allocation and utilization. Without urgent reforms, Indonesia risks undermining its ambition of achieving the Golden Indonesia 2045 vision, which relies on a strong foundation of high-quality human resources.

Family Adaptation Strategies and Policy Recommendations

In response to these challenges, families and policymakers must adopt complementary strategies. At the household level, several approaches are critical:

1. Mature Financial Planning. Families should estimate long-term education costs while accounting for average annual education inflation of approximately 10%. Developing monthly budgets can also help reduce unnecessary expenditures and free up resources for education savings.
2. Consistent Saving and Investment. Automatic savings mechanisms and education savings accounts offered by financial institutions can encourage discipline. Complementary investment in bonds, mutual funds, or equities can yield returns that outpace inflation.
3. Scholarship Utilization. Families should actively pursue scholarships that do not require SKTM documentation. Examples include the Bank Indonesia Scholarship, the Pertamina Sobat Bumi Scholarship, the Tanoto Foundation Scholarship, and the LPDP scholarship schemes (Rifa'i & Moddilani, 2021).
4. Academic Performance. Improving academic achievement remains a viable pathway to merit-based scholarships that have minimal economic restrictions.
5. Financial Literacy. Increasing family financial literacy is essential to avoid debt traps and consumptive behaviors, ensuring that resources are allocated toward education and other productive investments.

At the policy level, the government must recalibrate its education financing schemes. Expanding eligibility for aid beyond poverty groups to include vulnerable middle-class families is a crucial step. Introducing more flexible tuition payment systems, increasing the proportion of merit-based scholarships, and ensuring more effective allocation of the education budget are also urgent measures.

Ultimately, the results and discussion demonstrate that the challenges faced by Indonesia's middle class are not isolated household issues but systemic concerns with profound implications for equity, social cohesion, and economic development. Without structural reforms and household adaptation, the middle class risks erosion, with cascading effects on Indonesia's long-term developmental trajectory.

CONCLUSION

The findings of this study highlight that the increasing cost of education in Indonesia, particularly at the secondary and tertiary levels, poses a substantial financial burden on middle-class families. The lack of a uniform definition of the middle class, combined with the continuous rise in education expenses and the limited scope of government assistance programs—often directed primarily at low-income groups—has placed the middle class in a vulnerable position. They are excluded from significant financial aid schemes, yet simultaneously lack sufficient resources to pursue high-quality education without considerable financial strain.

This condition has far-reaching implications, including restricted access to quality education for the middle class, potential deterioration in the quality of national human resources, barriers to vertical social mobility, and an eventual slowdown in economic growth that depends heavily on the availability of competent human capital. To address these challenges, collaborative and well-coordinated efforts are essential. For middle-class families, several strategies are recommended: (1) engage in strategic financial planning by projecting long-term education costs, accounting for inflation, and

consistently allocating funds into appropriate investment instruments; (2) proactively seek non-SKTM-based scholarships and institutional tuition relief mechanisms such as installments or UKT adjustments; and (3) prioritize sustainable investments in education over unnecessary consumption or high-risk loans that exacerbate financial pressure.

Through such measures, it is expected that the burden of educational costs borne by the middle class can be alleviated. More importantly, equitable access to education across social groups can be maintained, thereby reinforcing the development of qualified human resources and strengthening the foundation for sustainable and inclusive national development.

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