

Investment Management at the Indonesia Endowment Fund for Education Agency (LPDP)

Hubertus Ade Resha Raditya Boli*

Biro Perencanaan dan Keuangan, Sekretariat Jenderal, Kementerian Keuangan Republik Indonesia

*Coressponding author: hubertus.ade@kemenkeu.go.id

ARTICLE HISTORY

Received [09
December 2024]
Revised [20
December 2024]
Published [18
January 2025]

KEYWORDS

investment
management, public
finance, endowment
fund, public service
agency

This work is licensed
under a:



ABSTRACT

This study aims to explain the investment management processes implemented by the Indonesia Endowment Fund for Education Agency (LPDP). Using a qualitative approach, the findings of this study highlight that LPDP has implemented a systematic and strategic approach to investment management, encompassing planning, execution, and reporting stages. In the planning phase, LPDP formulates comprehensive short-term and long-term policies that align with regulatory requirements and national development priorities. During implementation, LPDP demonstrates a strong commitment to portfolio diversification and robust risk management strategies. Investments are actively monitored through internal audits, Asset and Liability Committee (ALCO) meetings, and adherence to performance benchmarks. LPDP ensures accountability by aligning investment practices with established guidelines and leveraging routine and incidental studies to inform decision-making. The reporting process emphasizes transparency and compliance, with detailed financial and investment performance reports prepared in accordance with Government Accounting Standards (SAP). These reports provide stakeholders with insights into portfolio performance, income generation, and other important information. However, LPDP faces challenges such as inefficiencies in data coordination, reinvestment complexities, and limited expertise in advanced financial instruments. The study underscores LPDP's pivotal role in managing public funds to advance educational and socio-economic objectives, offering insights into optimizing investment strategies within public service agencies. By identifying best practices and addressing operational challenges, this research contributes to enhancing transparency, accountability, and efficiency in public financial management.

Introduction

Human resource development is a cornerstone of Indonesia's national development priorities, with education serving as a critical mechanism for enhancing workforce quality. In accordance with legal mandates requiring 20% of the State Budget (APBN) to be allocated for education, the government and the house of representatives (DPR) jointly decided in 2010 to establish the National Education Development Fund (DPPN). This fund is administered by the Public Service Agency (BLU), operating under the Indonesia Endowment Fund for Education Agency (LPDP). As a critical component of government activity implementation units, BLU holds a significant role in delivering services to the public. In accordance with Government Regulation (PP) Number 74 of 2012, which amends Government Regulation Number 23 of 2005 concerning the Financial Management of BLU, a BLU is defined as a government entity established to provide goods and/or services to the public, prioritizing service delivery over profit generation. A government entity may be designated as a BLU if it satisfies the substantive, administrative, and technical criteria outlined in the aforementioned regulation.

LPDP was established through the Minister of Finance Regulation (PMK) Number 252/PMK.01/2011 concerning the Organization and Governance of LPDP, as last amended by PMK 47/PMK.01/2020. Subsequently, LPDP was designated as a government institution implementing the financial management model of BLU based on the Minister of Finance Decree (KMK) Number 18/KMK.05/2012 dated January 30, 2012. According to PP No. 74 of 2012, PPK-BLU provides flexibility in adopting sound business practices to enhance public services. This flexibility includes the management of revenues and expenditures, cash and investments, debts and receivables, procurement, and disposal of goods and/or services, management of surpluses and deficits, accounting and financial reporting systems, remuneration, and staffing arrangements. This approach aims to promote general welfare and advance national education, serving as an exception to conventional state financial management regulations.

In carrying out its duties as a BLU, one of the flexibilities granted to LPDP is the management of government investment on the DPPN entrusted to it. Unlike most government agencies, LPDP manages short-term investments without needing approval from the Minister of Finance, while long-term investments require prior approval. The profits generated from these investments are recognized as revenue, which can be used to fund LPDP's service programs and operational costs. The LPDP balance sheet over the past five years shows a significant increase in government investment, making it one of the five highest-performing BLUs. According to the LPDP 2023 Annual Report, since its establishment, the DPPN has seen remarkable and sustained growth. Starting with an initial allocation of Rp1 trillion in 2010, the fund grew to Rp3.62 trillion in 2011 and reached an impressive Rp139.11 trillion by 2023. This upward trajectory has continued consistently, with the fund steadily growing each year, as shown in Figure 1.

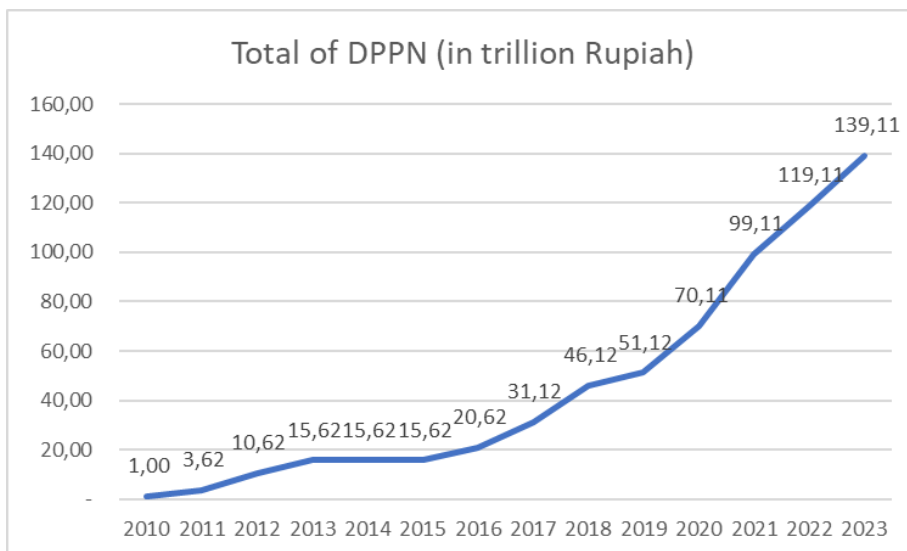


Figure 1. DPPN Trajectory

Source: processed by the researcher from the LPDP 2023 Annual Report

With substantial funds and flexibility in financial management, particularly in investment activities, this presents both opportunities and challenges for LPDP in managing these investment funds. If government investment financing is managed well in accordance with applicable principles and regulations, it can minimize investment risks and yield maximum returns, which can then be used to enhance the quality of human resources in line with the government's development priorities. Conversely, if the management of these funds is not handled properly, it could lead to suboptimal returns or increased risks, potentially affecting the sustainability of LPDP's service programs.

Therefore, this research seeks to address the following key question: How does LPDP manage its investment processes? This study introduces novelty by comprehensively exploring the unique position of LPDP within the framework of BLU financial management. The research focuses on how LPDP operationalizes government investment in education to maximize economic and social returns, adhering to principles of transparency, accountability, and efficiency. The importance of this research lies in its ability to bridge gaps between theoretical frameworks and practical applications in public financial management. It examines LPDP's investment activities not merely as financial transactions but as strategic tools to achieve broader socio-economic objectives. The study aims to identify best practices and lessons learned that could serve as benchmarks for similar institutions both within and beyond Indonesia.

Theoretical Framework

1. Agency Theory

Agency theory is a key concept in financial economics, first introduced by (Jensen et al., 1976). It provides a framework for understanding conflicts of interest between principals, the capital owners (typically shareholders), and agents, the company's management, who are entrusted with managing that capital. At its core, agency theory examines issues related to information asymmetry and conflicting interests that arise when agents act on behalf of principals (Puspaningsih & Analia, 2020). Information asymmetry occurs when agents have more knowledge than principals, often because the agents are authorized to oversee the company's operations. Unfortunately, this imbalance of information can lead agents to act opportunistically, prioritizing personal interests over the best interests of the principals (Patiran et al., 2023).

Agency theory is crucial in understanding the principal-agent dynamics within public organizations, where authority is delegated from principals to agents (Lane, 2003). For instance, the relationship between the public and the government represents how citizens delegate authority to elected officials to act on their behalf in the development and implementation of public policies. Similarly, the relationship between senior bureaucrats and junior bureaucrats within the internal structure of the government illustrates how senior officials delegate tasks and decisions to junior bureaucrats, who are expected to follow instructions (Moe, 1984). However, the potential for misalignment of interests, information asymmetry, and differing motivations can create challenges in ensuring that policies are implemented as intended.

2. Investment

Investment is the commitment of a certain amount of funds or other resources made in the present with the aim of obtaining profits in the future (Kilic et al., 2022). In addition to

seeking future profits, there are specific reasons why investors engage in investments (Tandelilin, 2010), namely:

- a. to ensure a better future by investing funds not consumed today, with the expectation of increased future consumption;
- b. to mitigate the risk of asset depreciation due to inflation; and
- c. to reduce taxes, as part of government policies encouraging investment in specific sectors.

Investment is divided into two types: real assets (e.g., gold, land) and financial assets (e.g., bonds, stocks) (Hala et al., 2020). These can be managed directly by the investor or indirectly through investment managers (Konar, 2019). Before investing, investors must consider return and risk (Reilly & Brown, 2012). Research by Van Dinh (2021) found that return and risk have a direct relationship: the greater the risk, the greater the potential return.

According to (Tandelilin, 2010), the investment process consists of five interrelated stages:

- a. Determining Investment Objectives: The investor defines the objectives that influence the amount, type, and duration of the investment.
 - b. Determining Investment Policy: The investor determines the allocation of funds across various assets, considering factors like taxes.
 - c. Selection of Strategy and Portfolio Management: The investor chooses an active (selecting and selling stocks) or passive (relying on the performance of market indices) strategy and manages the portfolio through planning, execution, feedback, and performance measurement.
 - d. Asset Selection: The investor selects assets to form a portfolio that meets desired return and risk levels.
 - e. Performance Evaluation: The portfolio's performance is measured and compared to other portfolios or market indices.
3. Government Investment

Government investment is regulated under Government Regulation (PP) Number 63 of 2019 concerning Government Investment. According to the regulation, government investment refers to the allocation of funds or financial assets to obtain economic, social, and other benefits. Further, forms of government investment include stocks, bonds, and direct investments such as loans, investment partnerships, non-permanent equity participation, non-permanent convertible bonds, or financing based on profit-sharing. As the State General Treasurer (BUN), the Minister of Finance has regulatory, supervisory, and operational authority over government investments, including designating BLU as the OIP. The OIP's duties, as outlined in Article 17, Paragraph (3) of PP 63/2019, include developing investment plans, proposing funding needs from the state budget, managing investments, overseeing governance and risk control, handling disputes, executing divestments, and preparing investment reports.

The management of government investment comprises three stages: planning, implementation, and reporting. In the planning stage, BLUs create long-term and medium-term investment plans based on strategies from the Government Investment Committee (KIP) and approved by the Minister of Finance. These guide the development of annual plans, which are submitted to KIP for budget approval. The implementation stage differs by investment type: equity, bonds, or direct investment. For equity and bonds, certified professionals manage investments, evaluating risk, returns, and portfolio policies, with fair

value assessments. Direct investments follow similar principles but use cost-benefit analyses instead of fair value assessments. Investment management may be delegated to certified managers who report to the Government Investment Operator (OIP). In reporting stage, the OIP compiles and submits investment performance reports, including portfolio results, income, risk management, and financial statements, to KIP for supervision. Additionally, financial reports are provided to higher-tier institutions as required.

Method

This research adopts a qualitative methodology to thoroughly investigate the implementation of investments management by LPDP. The qualitative approach allows for a detailed and descriptive analysis, enabling a comparison between the practical implementation of LPDP's investment management processes and the relevant regulatory frameworks and theoretical principles. This ensures a holistic understanding of the subject matter and provides a basis for evaluating alignment and identifying gaps.

The research utilizes primary and secondary data. Primary data are gathered through structured interviews with LPDP staff involved in investment planning, execution, and reporting, providing insights into operational investment management. Secondary data are derived from reviewing financial and annual reports, regulations, academic publications, and other credible sources to explore theoretical and regulatory aspects of investment practices.

Results and Discussion

The discussion is divided into several sections categorized based on the stages of investment management at LPDP. These sections include investment planning, implementation, reporting, and challenges or issues in investment management within the organization.

1. The Investment Planning

Investment planning at LPDP is managed by the Initiation and Analysis Division of the Investment Directorate. The process is categorized by the type of investment according to its duration, encompassing both short-term and long-term strategies.

a. Short-Term Investment

LPDP's short-term investments were made in time deposit instruments with terms of 1, 3, 6, and 12 months, as well as corporate bonds with maturities ranging from 5 to 10 years, which could be traded at any time to achieve capital gains. The planning phase for short-term investments at LPDP began with the development of a short-term investment policy. The draft of the short-term investment policy was then approved by the President Director of LPDP and outlined in the LPDP Investment Guidelines. The short-term investment policy includes several key components, such as the maximum proportion of LPDP's funds that can be placed with a single party, the oversight and reporting system for managing short-term investments, and restrictions on the authority to execute short-term investment transactions at each management level along with their respective accountability.

Once the short-term investment policy is established, the Initiation and Analysis Division formulates the annual short-term investment plan in accordance with the Investment Guidelines. This process involves analyzing data from Bloomberg Terminal, bond data from PT Penilai Harga Efek Indonesia (PHEI), and research from LPDP's securities partners to

create a consolidated information consensus. The plan includes historical cash balance data, cash flow projections, expected returns, and performance benchmarks.

After developing the short-term investment plan, the Initiation and Analysis Division then submits it to the responsible party for the Business Budget Plan (RBA), in this case, the Directorate of Service Development and Risk Management (Directorate of PLRM), for review and discussion as required. The reviewed short-term investment plan is then approved by the President Director of LPDP.

b. Long-Term Investment

LPDP's long-term investments are primarily in Government Bonds (SUN) and State Sharia Securities (SBSN), including the SBSN series PBSNT-001 through private placement. These investments have an average maturity from 2023 to 2044. The long-term investment planning phase, much like the short-term investment planning phase, begins with the formulation of comprehensive long-term investment policies and strategies. These policies and strategies are established by the President Director of LPDP, detailed in the Investment Guidelines, and subsequently submitted to the Director General of the Treasury (DJPb). These long-term investment policies and strategies include asset and liability profiles, alignment of asset and liability durations, investment objectives, targeted returns, performance benchmarks, assessment criteria, and qualitative limitations for each asset type. They also set maximum investment allocations, limits on single-party investments, cash non-investment thresholds, prohibited assets, minimum liquidity levels, oversight and reporting systems, guidelines for using investment managers, transaction authority restrictions at various management levels, and accountability for transactions.

Based on the established long-term investment policies and strategies, the Initiation and Analysis Division prepares an annual long-term investment management plan. In preparing the long-term investment plan, the division continues to refer to the general policy set by the Board of Trustees, which regulates several matters, including:

- 1) DPPN sourced from the APBN is managed as an endowment fund, with income used solely for Program Services and LPDP's operational costs;
- 2) Education programs (scholarship programs, research funding, educational facility rehabilitation funding) and LPDP operations are financed from DPPN management income;
- 3) A portion of the income (PNBP) is allocated annually to the Education Reserve Fund, with a minimum of IDR 100 billion (non-cumulative);
- 4) PNBP for institutional operations is limited to 5%;
- 5) The rate of return is the State Treasury Bills (SPN) rate + 1%, assuming the SPN rate is no lower than 5%; and
- 6) Fund management uses fixed income instruments with an average yield of 6%.

The annual long-term investment management plan of LPDP includes several key elements, such as the planned composition of investment types, the expected return rates, and the considerations underlying the investment composition plan. Similar to the short-term investment plan, the long-term investment plan will be submitted to the PLMR Directorate for review. If the review concludes that the investment plan is deemed feasible, the President Director of LPDP will incorporate it into the Investment Proposal.

As previously mentioned, BLU can manage long-term investments only after obtaining approval from the Minister of Finance. Once the long-term investment management proposal is established, the President Director of LPDP will propose the long-term investment proposal

to the Minister of Finance, through the Directorate of PPK-BLU, for assessment. The proposed approval for LPDP's long-term investment plan includes the established short-term investment policy, long-term investment needs, the advisory board policy, and the concept of the long-term investment plan. It also includes a simulation of long-term investment management covering investment costs, expected investment returns, and a cash expenditure plan for spending from investment returns, human resources, investment tools and equipment, and LPDP's strategic business plan. Additionally, the short-term investment plan will be attached to the long-term investment proposal for consideration during the assessment.

Based on the proposal for the annual long-term investment plan submitted, the Directorate of PPK-BLU subsequently conducted an evaluation of the proposed approval for the long-term annual investment plan. In practice, the evaluation goes beyond a purely administrative review to include substantive analysis. The Directorate of PPK-BLU will assess the proposal by identifying any aspects deemed inconsistent and providing feedback or recommendations if any elements require revision. If the evaluation results indicate that the long-term annual investment plan is feasible for implementation, the Minister of Finance will approve the proposed plan, as formalized in the Minister of Finance's Approval Letter. Conversely, if the evaluation results conclude that the proposal is unfeasible, the Minister of Finance rejects the long-term annual investment proposal, as stated in the Minister of Finance's Rejection Letter issued by the Director General of Treasury on behalf of the Minister of Finance.

2. The Investment Implementation

As outlined in the theoretical framework, investors, including BLUs, are permitted to delegate investment management responsibilities to investment managers. An investment manager is defined as an individual or entity appointed to manage investment funds in accordance with a specified mandate (Shiller, 2013). Currently, LPDP has not established any investment management contracts with external investment managers, as all investments are managed internally by the organization. Nevertheless, LPDP actively engages with investment managers to exchange insights on market developments and to obtain advice and recommendations concerning its investment portfolio.

In executing its investment activities, LPDP ensures a rigorous process encompassing comprehensive studies, portfolio diversification, and robust monitoring and control mechanisms. Each stage of the investment process is supported by documented analyses and aligned with established investment policies, long-term strategies, and annual plans. These studies, which may be routine or incidental, form the foundation of LPDP's decision-making framework. Routine studies are categorized by investment instruments, such as deposits and bonds. For instance, when placing deposits with banks or participating in Initial Public Offerings (IPOs) for corporate bonds, the Investment Director submits an official memorandum to the LPDP President Director. This memorandum includes critical information, such as tender results, deposit interest rates, the bank's terms and conditions, proposed fund allocations, updates on the bank's financial health, and detailed analyses related to bonds—covering IPO specifics, financial performance, and yield projections. Incidental studies address strategic considerations, such as portfolio mix optimization or feasibility analyses for new investment opportunities, including equity placements. All studies are accompanied by supporting documentation, including notes, working papers, and

relevant calculations, such as fair yield estimates for bond IPOs. These attachments form an integral part of LPDP's commitment to meticulous and transparent investment management.

The expected return for LPDP is determined by the PLMR Directorate in collaboration with various stakeholders, including the Investment Directorate. To establish the expected return, the PLMR Directorate requests data from relevant parties, including the Investment Directorate, which provides the latest BI rate and the performance of investment instruments from the previous year. The actual return is calculated based on specific investment types: for deposits, it is derived from the annual deposit interest rate, while for bonds, the average yield is utilized. The variance between the expected return and the actual return represents the risk borne by the investor (Marbath & Suazhari, 2021). LPDP measures investment risk by considering three factors: (1) investment type, (2) investment duration, and (3) potential for value decline. Types of risk considered include Liquidity Risk, Credit Risk, and Concentration Risk.

- a. Liquidity risk is evaluated based on the ease with which an asset can be liquidated to meet financial obligations (Nikolaou, 2009). LPDP assesses this by analyzing market conditions, trading volumes, and alignment with cash flow needs.
- b. Credit risk refers to the potential for loss due to a company's inability to repay its obligations (Spuchl'áková et al., 2015). When investing in corporate bonds, LPDP assesses the company's financial health and the risk of default on principal and interest payments.
- c. Concentration risk arises from overexposure to a single entity, which could amplify potential losses (Kashyap, 2023). For this reason, LPDP limits its investment in any single bank to a maximum of 5% of total investment funds.

To minimize risk, one effective strategy is portfolio diversification. Portfolio diversification means distributing investment funds across various instruments or entities, carefully evaluating the returns and risks associated with each component within the portfolio (Jayeola et al., 2017). According to the 2023 Audited Financial Report, LPDP's investment portfolio primarily consists of deposits and bonds, which are further categorized into government bonds (SBN) and state-owned enterprise bonds (BUMN). While the BLU LPDP has diversified its investments within these instruments, it has yet to expand into broader categories such as equities and direct investments. This research highlights several limitations, including substantial short-term cash flow needs, unfavorable market conditions, lack of domestic benchmarks, unclear regulations on investment impairment and unrealized losses/gains, absence of internal policies on direct and foreign currency investments, and insufficient qualified personnel in the Directorate of Investments.

In its investment implementation, LPDP actively conducts investment monitoring and control through supervision by division heads, directors, risk management, internal audit, the Board of Commissioners, the Advisory Board, and regulatory oversight by the Directorate of PPK-BLU and the Ministry of Finance Secretariat General. Monitoring and control occur from both organizational and internal perspectives, led by the Investment Management Division. At the organizational level, LPDP convenes monthly Asset and Liability Committee (ALCO) meetings, which are attended by committee members, including the President Director, directors, division heads, and relevant staff. These meetings focus on reviewing the fund performance at the end of each month, evaluating policies, and discussing strategies related to liquidity management, interest rates, risks, and portfolio structuring.

Additionally, LPDP's internal audit function plays a key role in monitoring and controlling investment activities. From an internal perspective, the Investment Management

Division conducts daily monitoring, compiling information into a daily report. This report details portfolio positions and movements, including specific investment data such as bank names, bond names, and key metrics like deposit rates and bond yields. LPDP further ensures transparency and accountability by submitting monthly reports to the Board of Supervisors, as well as quarterly, semi-annual, and annual reports detailing its financial status, performance, and investment management activities.

3. The Investment Reporting

To ensure accountability in the management of its investments, LPDP prepares a comprehensive investment management report. This report includes an investment portfolio report, investment income report, and other pertinent information.

a. Investment Portfolio Position Report

The Portfolio Investment Position Report provides a comprehensive overview of investment implementation, outlining the composition of investment types, the value of investments from the previous period, the current investment value, and the proportion of each investment relative to the total portfolio value. The 2023 LPDP Portfolio Investment Position Report indicates that LPDP has strategically allocated its portfolio to low-to-medium-risk investment instruments. The portfolio consists of three key types: deposits, with a portfolio value of IDR 34,292,400,229,705.00, representing 24.49% of the total portfolio value; government bonds (SBN), with a portfolio value of IDR 105,648,483,722,242.00 representing 75.43% of the total portfolio value; and state-owned enterprise (BUMN) bonds, with a portfolio value of IDR 96,250,000,000.00, representing 0.07% of the total portfolio value.

b. Investment Income Report

The Investment Income Report provides a detailed analysis of investment performance, highlighting the returns generated from various investment instruments over both previous and current periods. It also presents the proportionate contribution of each instrument to the total portfolio income. The 2023 LPDP Investment Income Report shows that from the value of deposits invested, LPDP earned deposit income of IDR 2,862,746,445,125.00 or 30.94 % of the total investment income. The largest income source came from investments in bonds, contributing 69.06 % of the total investment income, amounting to IDR 6,387,349,747,895.00.

c. Other Important Information

The critical information disclosed in the implementation report on LPDP investment management pertains to factors that could influence the achievement of LPDP's investment performance. This includes an assessment of whether the targeted income has been realized and an analysis of any shortfalls in income realization, along with their underlying causes. For instance, in early 2020, LPDP disclosed the significant implications of the COVID-19 pandemic on its investments. In response to the pandemic, Bank Indonesia lowered the BI 7-Day (Reverse) Repo Rate, a policy shift that directly influenced potential investment income. Furthermore, the issuance of Law (UU) Number. 2 of 2020, which ratified Government Regulation in Lieu of Law (Perppu) Number 1 of 2020 on State Financial Policies and Financial System Stability for Handling the COVID-19 Pandemic and addressing threats to the national economy and financial system stability, also impacted the amount of DPPN (Net Revenue Fund) managed by LPDP. These developments underscore the importance of transparent reporting to ensure effective investment management.

The investment management implementation report, endorsed by the President Director of LPDP, is submitted on a quarterly basis to the Director of PPK-BLU. Reporting typically commences from the second quarter, as the first quarter is allocated for the preparation of audited annual reports. LPDP transmits the investment management report to the PPK-BLU Directorate through an official memorandum via the Nadine electronic correspondence system. The submission encompasses the investment portfolio report, income report, and other pertinent documentation.

The report bypasses the conventional routing through the Secretary-General, LPDP's Echelon I unit, and the Minister of Finance, and does not depend on a formal request from the PPK-BLU Directorate. Instead, it is submitted within a strict timeline—no later than 10 working days following the close of the respective quarter. This streamlined process minimizes potential delays associated with hierarchical routing. Prior to submission, the report undergoes rigorous data synchronization across LPDP directorates and is thoroughly reviewed by the Internal Audit Unit (SPI) to ensure its accuracy and consistency.

Initially, alongside the investment management implementation report, LPDP prepares its financial statements in accordance with the Government Accounting Standards (SAP) and the Financial Accounting Standards (SAK), in response to requests from the Directorate of Accounting and Financial Reporting (Dit. APK). This is because as a BLU, LPDP operates as a government entity with profit-generating objectives, similar to a corporation, though it is not profit-oriented. However, since 2017, in alignment with Government Accounting Standard Statement Number 13 on the presentation of BLU financial statements and in compliance with the Treasury Director General's Letter Number S-10590/PB/2017 regarding the preparation of BLU financial statements, LPDP is required to prepare its financial statements solely based on accrual-based SAP. These statements are generated through an integrated system known as SAKTI (Sistem Aplikasi Keuangan Tingkat Instansi). Nonetheless, reporting based on SAK remains permissible for LPDP's internal management purposes.

The SAP-based financial statements of LPDP are accompanied by a Statement of Responsibility, signed by the President Director of LPDP in their capacity as the head of the BLU. Following an internal review by the SPI and an external audit conducted by the Supreme Audit Board of the Republic of Indonesia (BPK), the SAP-based financial statements are submitted to the Bureau of Planning and Finance within the Ministry of Finance Secretariat-General for consolidation into the Financial Statements of Ministry of Finance, with LPDP remaining accountable to the Minister of Finance through the Secretary-General.

4. Challenges in Investment Management

In the investment management, several issues arise during the planning, execution, and reporting stages. These challenges include:

a. Data Availability and Coordination Issues

A prevalent challenge is the difficulty in acquiring and analyzing the requisite data from relevant parties, a process that often demands significant time. Consequently, the overall analysis process is frequently extended. Furthermore, LPDP engages multiple stakeholders, each requiring data from various directorates. This complexity often results in discrepancies across the data provided by different directorates, necessitating reconciliation and cross-directorate coordination before the requested data can be delivered to stakeholders.

b. Reinvestment and Idle Funds

Another challenge involves reinvestment planning. The majority of LPDP investments are in deposits with tenors of 1, 3, 6, or 12 months. Due to these short terms, LPDP encounters difficulties in managing maturing deposits—deciding whether to reinvest, allocate funds for operational activities, or redirect them toward bond purchases. As a result, idle funds frequently emerge. To mitigate this issue, LPDP conducts coordination meetings to strategize the allocation of maturing funds. The decisions made during these meetings provide a framework for directing funds into deposits, bonds, or operational expenditures.

c. Reporting Challenges

LPDP is mandated to prepare investment management and financial reports in accordance with SAP. These reports are submitted following formal requests from the Secretariat General, the higher-level structural unit. However, these requests are often received just one day prior to the reporting deadline, creating challenges in meeting such a short timeframe. To address this, LPDP proactively prepares financial reports in advance of receiving these requests. Nonetheless, this approach introduces a further complication: frequent adjustments to financial report due to continuous changes.

d. Human Resource Constraints

LPDP's investment team, despite holding significant potential, faces a key limitation due to a shortage of personnel with specialized knowledge in complex investment areas like money and capital markets. This includes the lack of professionals well-versed in the intricacies of advanced investment instruments, financial markets, and risk management strategies. As a result, the team may struggle to navigate sophisticated investment opportunities, hindering their ability to manage funds in diverse, high-growth sectors that require specialized knowledge.

Conclusion

In conclusion, LPDP's investment management aligns seamlessly with established theories and regulatory frameworks, showcasing a structured and strategic approach that encompasses the stages of planning, implementation, and reporting. These processes are underpinned by core principles such as risk and return, liquidity, duration, market timing, and diversification.

In the planning stage, LPDP demonstrates foresight by formulating comprehensive short-term and long-term investment policies and strategies. These policies are meticulously developed in adherence to regulatory requirements and strategic objectives, supported by in-depth analyses of financial instruments and market conditions. This ensures optimal fund allocation, effectively balancing institutional growth and national priorities.

During the implementation stage, LPDP emphasizes diversification, rigorous risk management, and accountability. Internal management is complemented by robust oversight mechanisms, including routine analyses, ALCO meetings, and internal audits. These measures uphold alignment with performance benchmarks, mitigate risks, and maintain the integrity of investment operations.

In the reporting stage, LPDP sets a high standard for transparency and accountability. Detailed reports, prepared in compliance with SAP, offer stakeholders clear insights into portfolio performance, investment income, and other significant information. This commitment to thorough and transparent reporting enhances trust and credibility among stakeholders.

However, LPDP encounters notable challenges in its investment management. Data coordination issues, reinvestment complexities, and human resource limitations impede operational efficiency. For instance, delays in reconciling data from various stakeholders can hinder timely analyses, while decisions on reinvestment often lead to idle funds. Moreover, the lack of expertise in advanced financial instruments and risk management restricts LPDP's ability to optimize investment opportunities across diverse markets.

Based on the result and the discussion, the author proposes several recommendations. First, LPDP should implement a centralized data management system to streamline data collection and reconciliation processes across directorates. Adopting advanced data analytics tools and technologies can facilitate real-time analysis and reporting, reducing delays and ensuring accurate, actionable insights for decision-making. Second, to address reinvestment complexities and minimize idle funds, LPDP could develop a robust reinvestment framework that includes clear guidelines for fund allocation upon maturity. This framework should leverage predictive modeling to anticipate cash flow needs and market trends, enabling better alignment of investments with organizational goals. Lastly, LPDP should invest in the professional development of its investment team by offering specialized training in advanced financial instruments, capital markets, and risk management. Establishing partnerships with financial institutions and academic organizations can provide additional resources to enhance expertise and build capacity.

References

- Hala, Y., Abdullah, M. W., Andayani, W., Ilyas, G. B., & Akob, M. (2020). The Financial Behavior of Investment Decision Making Between Real and Financial Assets Sectors. *The Journal of Asian Finance, Economics and Business*, 7(12), 635–645. <https://doi.org/10.13106/jafeb.2020.vol7.no12.635>
- Jayeola, D., Ismail, Z., & Firdaus Sufahani, S. (2017). Effects of Diversification of Assets in Optimizing Risk of Portfolio. *Malaysian Journal of Fundamental and Applied Sciences*, 13(4), 584–587.
- Jensen, M. C., Meckling, W. H., Benston, G., Canes, M., Henderson, D., Leffler, K., Long, J., Smith, C., Thompson, R., Watts, R., & Zimmerman, J. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. In *Journal of Financial Economics* (Issue 4). Harvard University Press. <http://hupress.harvard.edu/catalog/JENTHF.html>

- Kashyap, R. (2023). The Concentration Risk Indicator: Raising the Bar for Financial Stability and Portfolio Performance Measurement. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.4361961>
- Kilic, M., Yang, L., & Zhang, M. Ben. (2022). The Cross-section of Investment and Profitability: Implications for Asset Pricing. *Journal of Financial Economics*, 145(3), 706–724. <https://doi.org/10.1016/j.jfineco.2022.06.003>
- Konar, A. (2019). Direct vs Indirect Investments: The Implications of A Choice for A Short-Term Private Investor. *Bulletin of South Ural State University Series "Economics and Management,"* 13(1), 93–97. <https://doi.org/10.14529/em190109>
- Lane, J.-E. (2003). Management and Public Organization: The Principal-Agent Framework. Lembaga Pengelola Dana Pendidikan. (2023). Laporan Tahunan LPDP Tahun 2023.
- Marbath, S. M. S., & Suazhari. (2021). Studi Perbandingan Tingkat Return dan Risk antara Investasi Emas dan Saham Syariah. *Proceeding of National Conference on Accounting and Finance*, 3, 42–55.
- Menteri Keuangan Republik Indonesia. (2012). Keputusan Menteri Keuangan (KMK) Republik Indonesia Nomor 18/KMK.05/2012 tentang Penetapan Lembaga Pengelola Dana Pendidikan pada Kementerian Keuangan sebagai Instansi Pemerintah yang Menerapkan Pengelolaan Keuangan Badan Layanan Umum.
- Menteri Keuangan Republik Indonesia. (2020). Peraturan Menteri Keuangan (PMK) Republik Indonesia Nomor 47/PMK.01/2020 tentang Organisasi dan Tata Kerja Lembaga Pengelola Dana Pendidikan. www.jdih.kemenkeu.go.id
- Moe, T. M. (1984). The New Economics of Organization. *American Journal of Political Science*, 28(4), 739. <https://doi.org/10.2307/2110997>
- Nikolaou, K. (2009). Liquidity (Risk) Concepts: Definitions and Interactions. <http://www.ecb.europa.eu>
- Patiran, A., Marani, Y., Bonsapia, M., Manginte, S. Y., & Noch, M. Y. (2023). Impact of Debt Default, Audit Quality, Opinion Shopping and Institutional Ownership to Acceptance of Going Concern Audit Opinions. *Public Policy (Jurnal Aplikasi Kebijakan Publik & Bisnis)*, 4(1), 107–122. <https://doi.org/10.51135/PublicPolicy.v4.i1.p107-122>
- Pemerintah Republik Indonesia. (2012). Peraturan Pemerintah (PP) Republik Indonesia Nomor 74 Tahun 2012 tentang Pengelolaan Keuangan Badan Layanan Umum.
- Pemerintah Republik Indonesia. (2019). Peraturan Pemerintah Republik Indonesia Nomor 63 Tahun 2019 tentang Investasi Pemerintah.
- Puspaningsih, A., & Analia, A. P. (2020). The Effect of Debt Default, Opinion Shopping, Audit Tenure and Company's Financial Conditions on Going-concern Audit Opinions. *Review of Integrative Business and Economics Research*, 9(2), 115–127.
- Reilly, F. K., & Brown, K. C. (2012). *Investment Analysis & Portfolio Management* (10th ed.). South-Western Cengage Learning.
- Shiller, R. J. (2013). Investment Managers. In *Finance and the Good Society* (pp. 27–36). Princeton University Press. <https://doi.org/10.1515/9781400846177-005>
- Spuchl'áková, E., Valášková, K., & Adamko, P. (2015). The Credit Risk and its Measurement, Hedging and Monitoring. *Procedia Economics and Finance*, 24, 675–681. [https://doi.org/10.1016/S2212-5671\(15\)00671-1](https://doi.org/10.1016/S2212-5671(15)00671-1)
- Tandelilin, E. (2010). *Portofolio dan Investasi: Teori dan Aplikasi*. Kanisius.



Van Dinh, D. (2021). Analyzed Relationship Between Risks and Expected Returns. *Journal of Economic and Administrative Sciences*, 39(4), 749–759. <https://doi.org/10.1108/JEAS-05-2021-0088>