Complex Relationship Between the Economy, Education and National Development: Investments and Challenges in Indonesia

Shafa Nur Azwina[1]

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Corresponding Author
Shafa Nur Azwina, Universitas Muhammadiyah Sumatera Utara
Email: shafanurazwina@gmail.com

Abstract
Education and the economy have a complex relationship and influence each other in the development of a country. A stable economy can provide better access to education for society, but high education costs can be an obstacle to achieving quality education. Investment in education is recognized as an important step for long-term economic growth, with a higher return than investment in physical capital. However, higher education in Indonesia is still faced with the challenge of high costs, while the free education offered by the government is often of low quality. This literature study aims to explore the relationship between the economy, education and national development. The analysis results show that a stable economy supports the development of quality education, while investment in education is considered an important long-term investment for economic growth. Economic factors such as socio-economic status also influence people's access to education. This research provides a deeper understanding of the importance of the relationship between the economy, education and national development, and highlights the need for policies that support investment in education to achieve sustainable economic growth.

Keyword: Education, National Development, Investment, Challenges Indonesia

1. INTRODUCTION

Education and the economy have a complex relationship and influence each other in the development of a country. Education is recognized as having an important role in long-term economic growth, although previously it was often considered simply an expense with no clear economic benefit. Investment in education is considered an important step for national development, with a higher return than investment in physical capital. However, the challenge of high education costs, especially in higher education in Indonesia, is still an obstacle in achieving quality education. A person's socioeconomic status also influences access to education received. This literature study aims to explore the relationship between the economy, education and national development, as well as highlighting the importance of policies that support investment in education to achieve sustainable economic growth. The contribution of education to this growth becomes even stronger after taking into account the interaction effect between education and other physical investments. This means that investment in physical capital will double in added value in the future if at the same time investment is also made in human resources, who will directly be the perpetrators and users of the physical investment. building the education sector. This commitment is implemented with very clear economic support as well. Where the economic system is oriented towards educational needs which are based on meeting the needs of modern society which include: high technology, flexibility and mobility of the workforce. In the Indonesian context and perspective, educational development has a strategic place, with the emergence of Link and Match, this policy hopes that the world of education will prepare workers who are suitable for the job market, including quality, quantity and type with adequate economic support.

2. RESEARCH METHODOLOGY

This research uses a literature study method *(library research)* where the literature review aims to strengthen the analysis from the various sources used. The meaning of literature study in this writing is as a basis for forming an initial writing plan and as a source of writing data. Literature study is research carried out based on written works, such as research results that have been published or not. This research data was collected by searching for articles in reputable online journals using Google Scholar and documentation in the library. The results obtained from this writing will be studied again and analyzed using content analysis, then summarized and presented in a research report.

3. RESULT AND DISCUSSION

Education as an Investment

The growing opinion is that the development of the education sector is only a budget-consuming sector with no clear benefits (especially economically). Such views lead people to doubt and even distrust the development of the education sector as the foundation for development progress in all sectors. This lack of confidence is, for example, manifested in the small budget commitment for the education sector. Allocating a budget for the education sector is considered a useless waste of money. As a result, the budget allocation for the education sector is usually left over after the others come first. This perspective is now starting to be displaced in line with the discovery of scientific thought and evidence regarding the vital role and function of education in understanding and positioning humans as the main force and a prerequisite for progress in development in various sectors. In the 1970s, research on the relationship between education and economic growth experienced stagnation and ambivalence due to doubts regarding the role of education in economic growth in several countries, especially in the United States and developing countries that received assistance from the World Bank at that time. This doubt arose, among other things, because of criticism from sociologists of education, including Gary Besker (1964, 1975, 1993), who said that human capital theory places more emphasis on the material dimension of humans so that it does not take humans into account from the socio-cultural dimension.

Becker's criticism actually opens up a perspective from the philosophical belief that education is not merely calculated as an economic investment, but more than that, education must be seen in a social and cultural perspective and dimension that is oriented towards the human dimension. This perspective and dimension is more important than just economic investment. Because education is related to humanity itself *(human dignity).* Several other neoclassical studies have been able to scientifically reassure the importance of educated humans in directly supporting economic growth and all other macro development sectors. It was on the basis of this scientific belief that the World Bank finally resumed implementing its international aid program in various countries. The contribution of education to this growth becomes even stronger after taking into account the interaction effect between education and other physical investments. This means that investment in physical capital will double in added value in the future if at the same time investment is also made in human resources, who will directly be the perpetrators and users of the physical investment. It is now recognized that the development of a country's human resources is a fundamental element for its prosperity and growth and for the effective use of its physical capital resources. Investment in the form of human capital is an integral component of all development efforts. Education must cover a broad spectrum in the life of society itself.

Investment in Education

Investment means investment of capital or money. Capital or money invested aims to gain profits, either in the form of money or capital or in the form of goods or services. Kenneth J. Arrow (1962) stated that the term investment is the allocation of *current resources* that have productive alternatives that are useful for carrying out activities that can increase profits obtained in the future. The cost of an investment is the profit obtained divided by the use of resources in various other activities. Thus, it is clear that investment is an investment of capital or money that is deliberately made to generate profits through the products produced. Meanwhile, education is a human effort to develop humans themselves with all their problems and spectrums regardless of the dimensions of time and space. This means that the core of education is lifelong learning, while forms of formal education, non-formal education (outside of school) and so on are only the modus operandi of the educational process. Education here is intended to improve human dignity so that they have skills and abilities so that productivity increases. Therefore, the results of education will become human resources that are very useful in the development of a country.

Investment in education is capital investment by allocating costs for providing education and taking advantage of the human resources produced through education. In this context, education is seen as a human learning industry, meaning that through education humans are produced who have the abilities and skills that are very necessary for a country's economy to increase individual income and national income. In this way, investment in education has a long period of time for the results to be known and the results are not in the form of direct profits, but rather profits for the individual receiving the education and for the country. As an investment function, education makes a significant contribution to increasing the level of living, human quality and national income, especially in the following matters:

1. The teaching and learning process guarantees an open society (i.e. a society that is always willing to consider new ideas and hopes and accept new attitudes and processes without having to sacrifice itself).
2. The education system provides the right foundation for development and research results (an inherent guarantee for the sustainable growth of modern society). Educational investments can maintain integrity and constantly increase the stock of knowledge and continuous discovery of new methods and techniques.
3. If in every economic sector we get all the factors that society needs except for skilled labor, investment in the education sector will increase per capita income in that sector, unless the social structure that exists in the community is unfavorable. The education system creates and maintains a supply of human skills in a flexible labor market. Apart from that, it is also able to accommodate and adapt in relation to changing needs for labor and the changing modern technological society (Komaruddin, 1991: 14).

The Role and Function of Economics in Education

The role of economics in education is quite determining but not an important role. Because there are other things that determine the life or death and progress of an educational institution more than the economy, namely the dedication, expertise and skill of its teacher managers. This is the key to the success of a school or college. This means that if managers and teachers or lecturers have sufficient dedication, are experts in their fields and have sufficient skills in carrying out their duties, it is possible that educational institutions will be successful in carrying out their missions even with an inadequate economy. The economic function in education is to support the smooth running of the educational process, not to develop capital and also to obtain abundant profits. Here the role of economics in schools is also one part of the educational resources that enable children to develop cognition, affection and psychomotor skills to become reliable workers and able to create their own jobs, have a work ethic and can live economically. Apart from supporting the economic education process, education also functions as learning material for economic problems in human life. Thus the role of economics in education is limited to:

1. Fulfilling educational needs that cannot be made by yourself, such as infrastructure and facilities, media, teaching aids and so on.
2. Finance all building equipment, such as water, telephone electricity. Pay for services from all educational activities.
3. Developing individuals who behave economically, such as; learn to live frugally.
4. Meeting the basic needs of educational personnel.
5. Increase work motivation.
6. Increase the work enthusiasm of educational personnel.

According to Mutrophin (1996), developed countries have a clear commitment to developing the education sector. This commitment is implemented with very clear economic support as well. Where the economic system is oriented towards educational needs which are based on meeting the needs of modern society which include: high technology, flexibility and mobility of the workforce. In the Indonesian context and perspective, educational development has a strategic place, with the emergence of Link and Match, this policy hopes that the world of education will prepare workers who are suitable for the job market, including quality, quantity and type with adequate economic support.

The Influence of Economics on Education

Economics basically has an influence on education. Communities that have economic strength are certainly better able to provide quality education than communities that lack it. Prathama and Mandala in Puput emphasize that without economic growth, there will be no increase in welfare, employment opportunities, productivity and income distribution in a country. Therefore, it is necessary to grow the community's economy by increasing the community's per capita income. There are many efforts that can be made to improve a nation's economy. The most recent era of Joko Widodo's government included *tax* *amnesty* . It is hoped that *the tax amnesty* effort will increase state revenues which will have implications for economic growth. According to Boediono in Devi, economic growth is the process of increasing *output* per capita in the long term. Economic growth is a process where there is an increase in gross national product or real national income. In relation to education, parents who have a high economic status are more likely to provide a better education for their children. Socioeconomic status according to Maftuh and Ruyadi is a person's status in society in terms of income, wealth and position. Meanwhile, Koentjaraningrat in Khalinda et al stated that a person's socio-economic status is a condition that reflects a person's position in society as seen from three factors, namely employment, education and income. Education is the most important part of the national development process, apart from that, education is also a determinant of the economy of a country. Economists also agree that the human resources *of* a nation are not in the form of physical capital or material, but are factors that will determine the character and speed of a nation's social and economic development. In families, socio-economic factors are factors that greatly influence household decisions in investing in children's education. The costs of continuing higher education in Indonesia are very high. To be able to continue your education at university requires a lot of funding. The free education that the new leaders advocate is limited to primary and secondary education.

Therefore, large funds are needed so that all people can get higher education for free. Free education in primary and secondary schools is also limited to state schools. It is known that the number of state schools is not yet able to accommodate all school age children. State schools also have no regulations for accommodating children from economically disadvantaged groups. Based on the facts above, it can be felt that education is basically still expensive, both basic education, let alone higher education. Developing countries generally show a relatively higher return on education investment than physical capital investment. Meanwhile, in developed countries, the return on investment in education is lower than investment in physical capital. This situation can be explained by the fact that the number of skilled and skilled educated workers in developing countries is relatively limited compared to the need, so the wage level is higher and this will cause the return on education to also be high. If it is related to the quality of education, of course the free education currently being promoted by the government must also be questioned. The free education offered sometimes seems far from good quality. Some schools that used to be of good quality with rules that did not allow collecting money from parents caused the quality of schools that used to be of good quality to decline. Therefore, to build good education, a stable economy is very necessary. Economic growth must always be a priority so that the country can guarantee the implementation of quality education.

4. CONCLUSION

From the results of the literature study carried out, it can be concluded that the relationship between the economy, education and national development is very complex and influences each other. Education has an important role in long-term economic growth, but high educational costs can be an obstacle to achieving quality education. Investment in education is recognized as an important step for national development, with a higher return than investment in physical capital. A stable economy supports better access to education for society, but the challenge of higher education costs is still a problem, especially in developing countries like Indonesia. The quality of education also needs to be considered, considering that the free education offered by the government is often of low quality. Therefore, policies that support investment in education need to be strengthened to achieve sustainable economic growth and better national development.

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