

# Investment of Human Capital through Educational Economic Values at Private Universities in Surabaya Indonesia

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## Investment of Human Capital through Educational Economic Values at Private Universities in Surabaya Indonesia

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**Abstract:** Higher education is not a form of cost but is one form of investment. This form of return can be in the form of a high bargaining value when the relevant person gets a job offer. Higher education not only has economic value in individuals, but in society. One of the economic values of higher education is the existence of employment opportunities for the community when higher education is held in a location where economic value can be in the form of employee recruitment or the opening of new jobs in the informal sector for the surrounding community. The challenge for the education sector is to develop educational systems capable of improving basic education equity, education quality and relevance of education to development needs, as well as science and technology education. Because everything that has been proven have direct and indirect impact on economic growth of the Indonesia Economic. This study uses a qualitative approach with study methods case. The data analyzed is the result of interviews with the field of service and direct observation in the field of services and general fields, and review documents at Private Universities in Surabaya

**Keywords:** Human Capital, Educational Economic Values, Higher Education.

### INTRODUCTION

In the era of globalization the boundaries of the region are almost non-existent. The absence of boundaries breaks through space and time and affects all aspects of life including economic growth. Economic growth of a country is inseparable from an environmental influence.

The unpreparedness of a country in preparing its underlying aspects will make the country left behind, even run over by other countries that have anticipated the flow of changes that have occurred first. One aspect that must be prepared by a country is the readiness of Human Capital to face an era that is no longer possible to avoid. Human Capital readiness can be done in many ways, including education. The role of education in spurring economic growth is very important in facing the globalization process which is full of challenges. Educational economists say that through education investment has the greatest influence on economic growth, compared to capital investment. Industrial countries in Asia, such as South Korea and Taiwan, have placed very strong pressure on the importance of education, and this has been done in the last three decades.

### LITERATURE REVIEW

#### Human Capital

In the economic context this approach is known as human capital. The human capital approach is triggered by Schultz's thinking, and many experts begin to consider measuring the contribution or effect of human resources as a capital to the economy.

Educational experts are also moved to prove that investment in public schools will ultimately provide higher economic benefits than invested investment [1]. However, economists themselves have different views regarding the position of humans in relation to capital. The view that humans are not capital is represented by John Stuart Mill, who says that the surname of society in a country cannot be said to be a capital. According to Smith [2], economic growth is affected by availability of natural resources, growth in physical capital, organization (which relates to optimal use of factors of production in economic activities), division of labor and scale production. Adam Smith stated the opposite, that humans are a fixed capital. Other experts who claim that humans are part of the capital of a state are Horrace Mann and Von Thunen which is the importance of considering humans as part of the capital owned by a country Bird [3] asserted that the stock of applied technical knowledge, availability of natural resources and various social and cultural characteristics affect the level of output through their effects on the stock of available capital and labor force. Several other studies on economic growth confirm the importance of investment in human capital. These studies indicate that output increases at a higher rate than could be explained

by an increase in the inputs of labor and physical capital only [4].

### Meaning of Education

The importance of knowledge and learning has been recognized since the beginning. Education is one of the important media in managing Human Capital as an investment. Several studies have shown that education, both secondary and tertiary schools, increases one's income. This increase was assessed after considering direct or indirect cost reduction as a result of the education he participated in. Based on the above understanding, it can be said that education is an activity directed at increasing individual competence but not directly related to current work. Even though it does not contribute directly, but education provides provisions for the participants of the education to face the conditions of the changing times. This of course with the educational assumption that is followed is education that is designed and organized correctly. Meier [5] observed that low economic growth in developing countries is manifested in the form of low labor efficiency, factor immobility, limited specialization in occupation and trade, a deficient in supply of entrepreneurship and customary values and traditional social institutions that minimize the incentives for economic change. Improvement in quality of human capital through education, training and acquisition of managerial and entrepreneurial skills. An economic growth model is developed to capture this phenomenon.

### Benefits of Education

According to Morphet, and Alexander [6], the benefits of education can be defined as one which (1) increases production through increasing labor capacity, (2) increasing efficiency through unused costs can be used to produce other things that helpful; and (3) increasing social awareness of the community which in turn can improve living standards. The benefits of education are very diverse. Two benefits of education, among the many benefits, are increasing labor productivity and reducing the need for other services. Increase labor productivity; is a strengthening of the economic system through labor productivity. This is indeed a direct return to education, but is a broader concept of economic education. Then also realized that Human Capital is not the only aspect that determines the optimal productivity of a country, but Human Capital is the main contributor in optimizing the productivity of a country. Another benefit associated with education is labor productivity. In relation to product quantity, educated, higher education workers can produce more goods and services at a specified time because they have broader abilities, skills and knowledge. Then in terms of product quality, higher educated workers can produce quality goods and services because they have the ability, skills and broader knowledge and understanding of Human

Capital conditions. Reducing the need for other services: education can be seen as a tool to cure social ailments such as crime Education related to employment. In other words it will reduce the unemployment rate. While there is an assumption that crime rates are related to unemployment, and people who have permanent jobs tend to rarely commit crime. This opinion raises an approach, but based on research, crime is also related to a lack of education. As said before that education correlates with income. The more education the higher the chance for income. In other words, people who have sufficient income relatively rarely commit crime.

### Educational Economics Values

According to John [7], the general benefits of education can be defined as everything 1) increasing production through increasing labor capacity, 2) increasing efficiency through reducing costs, 3) increasing social awareness of the community which can ultimately improve living standards. Measuring the benefits of education itself is not an easy thing considering that besides having economic value, education has another value, namely social value. In contrast to economic benefits, social benefits are relatively more difficult to measure, therefore they are rarely used as a measure of the return of social benefit education. According to the World Bank, one of the benefits of education is labor market earnings. Workers with higher education earn higher wage than employees with no post-secondary education. Median college-educated workers earn 84 percent more than those with only a high school education. Performance of private universities is something produced by an institution in a given period with reference to established standards [8].

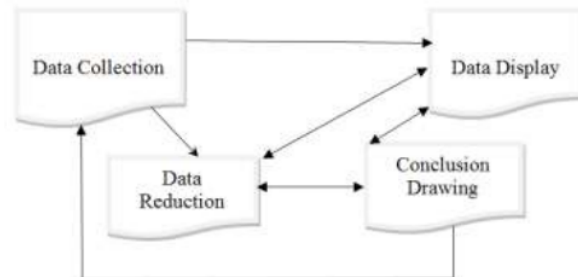
### RESEARCH METHODS

This research is a type of qualitative research descriptive. The approach used in this study is content analysis or content analysis. The validity of the data uses data triangulation, namely by means of verify the data using a comparison between data from one data source with another data source, so that the validity and correctness of the data will be tested by different data sources. The analytical method used is Content Analysis (study content). Content analysis is a research technique for making inferences that can be replicated, and the validity of the data with pay attention to the context. Content analysis relates to communication or content of communication [9]. Whereas according to Sugiyono [10], data analysis is the process of searching and systematically compiling data obtained from interviews, observation, and documentation, by organizing data into categories, spelling it into units, synthesizing, composing patterns, choosing which ones are important and will be learned, and making conclusions so that they are easily understood by themselves and others. The instruments used in

processing this data are; interview guide; observation guidelines (observation); and documentation guidelines. From processing the data that has been done then analyzed by grouping it into categories, described in units, synthesized, arranged patterns that are considered

important and will be studied, and made conclusions.

In order to be clearer, it can be seen in the chart presented by Sugiyono [10] in understanding qualitative research.



### RESEARCH RESULTS AND DISCUSSION

The empirical evidence shows that changes in physical capital have less, although significant effect on economic growth than changes in labor inputs. This implies that labor input is among the most important factors that determine economic growth. Well-qualified and skilled labor is therefore required to turn the economy round. Private Universities in Surabaya must provide quality education and training in order to improve the quality of the available labor force. This is because education and training play a crucial role in the growth process. This paper argues that the declining economic growth in Indonesia can be revamped through human capital development that emphasizes specific labor programs targeting adult learners. The critical skills and knowledge needed to increase economic growth in Indonesia must be acquired through higher education and training. It is shown in the paper that lack of critical skills and knowledge within the labor force has hindered economic growth over time. This is blamed on the present higher education and training system, which does not provide critical skills, that command a premium at the work place. Lifelong learning and various degrees, diploma and certificate programs offered should be emphasized. The Private Universities in Surabaya under emphasize science, technology and engineering programs due to the enormous cost that must be incurred while pursuing science-based education programs State universities are unable to offer adequate remuneration and research opportunities that would encourage greater commitment by professors and lecturers. In addition, The Private Universities in Surabaya are poorly equipped to handle science and technical subjects. In some institutions, equipment, laboratories and other physical assets are outdated. It is obvious that graduates of these outdated technologies cannot be expected to add value to the economy's production system. Higher education institutions should therefore concentrate on providing informal and functional education, which are less time

consuming, less costly and more related to manpower requirements than is a formal educational system. This paper argues that the declining economic growth

### CONCLUSION

Given the findings of this study and the critical value of quality labor to the growth of the Indonesian economy, we conclude that institutions of higher education in Surabaya have an important role to play with regard to Indonesian's economic growth. Private Universities in Surabaya should encourage lifelong learning for those working in both private and public sectors of the economy since technology changes with time. This will allow workers to acquire the state-of-the-art skills and knowledge needed for economic growth. Private Universities in Surabaya should also address the issue of the mismatch of skills that are currently being provided and the skills needed at the workplace. It is a waste of resources and disinvestment in human capital when an excess supply of university graduates find their knowledge and skills irrelevant at the workplace. Thus, majority of Private Universities in Surabaya graduates have remained unemployed and/or underemployed and must be re-trained to fit in the labor market. Programs geared towards engineering, science, information technology, medical sciences, and entrepreneurship should be offered at Private Universities in Surabaya. To equip the graduates with the necessary skills, all programs should require internship/attachment components before graduation. Given the important role of adult education and the increased enrollment of adult learners in university programs. As shown by the findings of the study, investment in human capital is critical to the economic growth process. The empirical findings of the study might constitute the subject of future research in HRD fields in Indonesia.

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