The Importance of Educational Expenditure Toward Human Resources Quality and Economic Growth: An Empirical Approach

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ABSTRACT: This paper examines the critical significance of education in improving the calibre of human resources and stimulating economic development. This paper explores diversity and intricate ways in which education contributes to economic development through the enhancement of individual capabilities, the encouragement of inventive thinking, and the advancement of the general welfare of society. The paper emphasizes the critical need for significant public funding in education as a fundamental element for long-term economic progress and the improvement of personal well-being. By synthesizing empirical evidence and research findings from multiple studies, this paper provides substantial support for the notion that educational expenditure has a crucial influence on both economic growth and the development of high-quality human resources. It analyses the various manifestations and purposes of expenditures on education, illustrating its crucial contribution to the development of human capital, the improvement of productivity, and the general well-being of society. The discourse further delves into the strategic significance of education in the formulation of policies, arguing in favor of its prioritization as a pivotal economic policy. Effective educational investment, according to the paper, is not only crucial for providing individuals with the necessary skills for gainful employment, but also for enhancing their earning capacity and promoting the generation of social value. In summary, the paper underscores the critical role that education plays in fostering social progress and economic prosperity. It is imperative that policymakers acknowledge the enduring advantages of education and allocate resources in a manner that guarantees its continued prominence in approaches designed to attain economic and social goals.

KEYWORDS: Economic Growth, Education, Government Spending, Human Development, Human Resources

1. INTRODUCTION

Government expenditure can be defined as the amount of money government allocate and spends to many categories in specific period time often known as fiscal year. This allocation usually based on the government policy priorities and programs, further for the need of society that they serve. Some of this expenditure including public services, social welfare programs, infrastructure development, and any other programs. One of the most crucial parts of government expenditure is for the educational purpose, this form of contribution has the purpose to create high-quality human resources, educational expenditure also serves as a form of investment in human resources, and high-quality human resources are an asset to the institution. The expected result of having high-quality are high productivity and efficiency, which in turn will lead to higher welfare and economic in general (1). Therefore, the educational expenditure is one of most crucial form of government expenditure.

The importance of education isn’t only for the sole purpose of one individual, but to expand the society to a capacity of competency, the competitiveness of a region also determines by its human resources, these are due to the fact that high-quality human resources are capable of many activities, namely productive ones, further human resources quality also determine human development index, to achieve higher index, the access of education have to be distributed equally, in which that education are available for everyone, regardless of their race, religion, and nationality. Empirical evidence on the effectiveness of education expenditure can be reflected in some of this research. According to (2) by allocating expenditure or resources toward human capital, countries can improve the performance of their human resources, through development of skills and knowledge, making them capable of playing active role in achieving economic development, some even contribute innovation which are used for generations, this are made possible by the capability of human resources in scientific and technological advancement, innovation, and adaptability to new economic conditions. Same finding is expressed by (3) which stated that government expenditure allocate for education purposes were able to foster human capital formation, in which are crucial to the productivity, economic growth and the poverty reduction of the region. Further, it also stated to improve Human Development Index (HDI), which reflect the quality of education, health, and overall welfare. Despite of its function, education expenditure known to have effect and significant contribution toward human resources quality, however, the form of education expenditure often only refers as facility and number of institution, but education expenditure can be
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in diversity of forms, in which can be directed towards improving the efficiency of the workforce, reducing inequity, promoting health, reducing fertility levels, creating better conditions for good governance, and increasing the knowledge and innovation capacity of an economy (4). According to (5) there are several need that education expenditure covers which is including (1) Capital expenditure on education, includes spending on the physical infrastructure of educational institutions, such as the construction and maintenance of school buildings, laboratories, and libraries; (2) Recurrent expenditure on education, refers to ongoing expenses necessary for the day-to-day functioning of educational institutions. It covers salaries for teachers and staff, teaching materials, and other operational costs; (3) Higher education enrollment, directed towards higher education to increase enrollment rates, which is seen as essential for fostering economic growth; (4) Number of schools, investment in increasing the number of schools is another aspect of education expenditure. This is aimed at improving access to education at all levels, which is positively significant for long-term economic growth; and (5) Quality improvement, expenditure on education also goes towards improving the quality of education, which includes teacher training, curriculum development, and the introduction of new learning technologies.

Education is an important aspect, in many sectors education often consider as important factor or key to productivity, but in the long-term, education is capable of bigger result, such as economic growth, institutional quality, and many other great outcomes. Many of the empirical research explain the importance and the contribution of education, in which that government spending is consider as crucial investment in human capital that led to labor productivity, higher individual earnings, and economic growth in the long-term. In general, education has the important role of enhancing the skills and abilities of the workforce, higher education is important to generate innovation that are essential to achieve competitiveness (6). Other findings by (7) stated that investment in education is crucial for economic growth and social cohesion in any society, a well-educated workforce is essential for the non-performance of physical capital, such as tools, machinery, and equipment. This ability and capability reflected the quality of human resources, especially in the condition where a group of society able to switch from labor-intensive production to capital-intensive production that often require maximum use of technology, which certainly needs the presence of skilled and educated workers, smart enough to operate the machinery. (8) also illustrated that investment in human capital, which develops skills and knowledge in a population, increases productivity and economic growth. Education spending can also improve social outcomes by giving everyone a chance to improve their socioeconomic level. Efficient public spending on education can boost economic growth by achieving desirable educational outcomes including higher literacy rates, educational attainment, and education quality. This can create a better trained workforce that can adapt to technology and compete in a globalized market.

The importance of education affected many areas, namely economic sector, many of educated workers can provide higher productivity, also their skills and knowledge make them more capable of generating innovation which in turn can promote economic growth. Educated human capital is also capable of providing job opportunities and reducing poverty, this is often known as entrepreneurship. This form profession not only able to reduce unemployment in small scale as one business only operate by one person, but it can become employment opportunities, the more entrepreneur, the more job creation potentially arises, more diversity of business, and the potential toward economic growth contribution is also a result from this. In order to achieve this, individuals must have those two important aspect, skills and knowledge, in which can be obtained through education, therefore the importance of education cannot be neglected, high-quality education nowadays are provided whether in public and private schools and universities, however, differ from private institutions, public schools and universities are able to provide high-quality education by receiving government financial aid, that are allocated from the government spending, further government spending on education also provides individuals with numerous amount of training, workshop, and seminars. In most developing countries, governments even provide financial aid, scholarships, and many other forms of free education to pursue the creation of high-quality human resources. This is a common research topic, but this important aspect can never be left out, especially its contribution and outcome on greater aspects in society. Therefore, this paper serves the purpose to explore the importance of educational expenditure and its contribution toward human resources quality and economic growth.

II. METHODS

This paper is a qualitative paper, using the literature review as its main concept of operation, the term empirical approach refers to how this paper obtain its result and discussion, which this paper obtains its result from empirical research and data, the result of this paper also obtained using deductive reasoning to extract important and most relevant information aligning with this paper. This paper serves the purposes of exploring the importance of government expenditure on education, commonly known as education expenditure toward the quality of human resources and economic growth. The paper starts with observations on empirical research about how education expenditure was become crucial parts of government spending, along with its forms, and function, also how this expenditure allocation is utilized. To obtain and formulate the result, this paper will use empirical research and explore various and diversity of findings that align with the purpose of this paper which is to explore the importance of education expenditure and its contribution toward human resources quality and economic growth. The result of this paper will highlight the most important findings, the similarities between each article and the main focus of the main purposes which is contribution of education expenditure toward human resources quality and economic growth. Same thing goes for the conclusion of this paper, which also formulate
III. RESULT AND DISCUSSION

Education is an important aspect either this are for kids or for adult, the potential of human resources capability is determined by the level of knowledge and skill that they possess, in order to obtain knowledge and skills one must undergo an education, which are conducted through schools or any other form that provided by the government or society. Some of the schools were developed for adults that doesn’t able to undergo an education in young age. Informal education reflect how people are still wanted to be educated even after they hit adulthood, some also still pursing higher education such as master and Ph.D. Education are important for many potential things in the future, scientific resources such as research and prototype, possibly innovations are capable to be invented by the help of educations. The importance of educations is reflected in many of empirical research, in general the importance of education is various and have broad range of outcomes. The findings of this paper will be divided into three sections which is (1) Importance of education; (2) Education expenditure contribution toward human resources quality; and (3) Education expenditure contribution towards economic growth.

The Importance of Education

Education is important and fundamental aspects for personal and societal development, in which according to (9) there are several importance and key reason that explain how education is crucial which is (1) Personal development, education fosters critical thinking, creativity, and intellectual growth; (2) Social integration, education promotes social cohesion and helps individuals understand and appreciate cultural diversity; (3) Health and well-being, educated individuals are more likely to adopt healthy lifestyles, understand healthcare information, and access medical services when needed; and (4) Economic growth, education increases productivity and innovation, leading to higher income levels, improved job prospects, and economic stability. Different perspective expressed by (10) stated that education plays an essential role in the lives of individuals, serving as a fundamental pillar that cultivates better citizens, inspires self-assurance, ensures a prosperous future, and promotes the development of good character. Particularly among the youth, the acquisition of knowledge, skills, and values that are necessary for complete empowerment occurs via education. In addition to facilitating the acquisition of scholarly information, education is vital for promoting one's social, moral, and economic welfare. It equips students with the necessary skills and knowledge to effectively navigate the intricacies of existence, make constructive contributions to the community, and successfully accomplish both personal and professional objectives. Further, (11) explain several outcomes as the importance of education in general context, which is (1) Human capital development, education equips individuals with the knowledge, skills, and competencies necessary to participate effectively in the workforce; (2) Technological adaptability, education and training enable workers to adapt to these changes, ensuring that economies can capitalize on new technical possibilities; (3) Social value creation, education promotes critical thinking, problem-solving, and informed citizenship, which are essential for a functioning democracy and cohesive society; and (4) Welfare and equity, education provides individuals with the opportunity to improve their socio-economic status and can be a powerful tool for reducing poverty and inequality.

The most beneficial educational outcomes are quantifiable individually and societally. Individually, incomes and educational achievement are strongly correlated, known as the "earnings premium." Personal benefits of education include understanding the health care system and making better healthcare decisions. A more informed public leads to higher voter turnout, lower crime rates, and positive education carryover effects among other employees. Education increases life expectancies, access to a wider range of products, and quality of life. These factors improve life quality (12). Another finding in relation to explain why education is important is expressed by (13) stated that education is essential because it optimizes students' intellectual, physical, and moral abilities to help them reach their goals. Education's greatest benefit is the formation of self-aware, conscience-driven, responsible people. Education maximizes human potential and invests in human resources. It unites humans and education to humanize and develop their potential. This approach allows people to achieve their basic right to education and develop their human potential in daily life, creating people with attributes that match national educational objectives. Education not only useful for those who seek better future, but also for those who seek to improve their quality to adapt in everyday conditions of nowadays employment competition, which explain by (14) that critical role of education in enhance employment prospect and earning potential, including (1) Rapid Re-Employment, education increases the likelihood of finding new employment more quickly after unemployment; (2) Comparable wage post-employment, higher education levels improve the chances of obtaining a wage similar to the one before unemployment; (3) Influence on unemployment duration, education reduces the time spent collecting unemployment benefits; (4) Occupational impact, education is linked to certain occupations that offer better re-employment wages and conditions; and (5) Higher wages, individuals with higher levels of education tend to earn higher wages. Finally, in general, Education is recognized as a crucial determinant in all facets of social, environmental, and individual transformation, implying that its pursuit can yield a multitude of advantages. Education has
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also been identified as the real indicator of a nation's international resilience, which suggests that higher education, along with other levels of education, has the potential to improve outcomes for both individuals and societies (15). According to (16) Education, in fact, encompasses a wide range of dimensions that transcend the confines of formal education. It encompasses a diverse array of learning experiences, including personal development, informal learning, and structured educational systems. The formation of an individual's knowledge, skills, values, and attitudes—all of which are vital for personal development, social progress, and economic well-being—is a function of education. Employees possessing suitable educational backgrounds are more likely to possess the requisite knowledge and skills to execute their job responsibilities with efficacy. Furthermore, education encompasses not solely scholastic accomplishments, but also ongoing professional development and the acquisition of knowledge that are indispensable for navigating evolving technological landscapes and work environments. Several important aspects of education are also explained by (17) that Society relies on education for personal and social growth. Education empowers individuals and advances nations economically and socially. Education empowers individuals. It helps people think critically, solve problems, and make decisions. Education drives economic prosperity. Education creates new technologies and businesses, creating jobs and raising living standards. Education is vital to social progress. Equal possibilities for success can help close the socioeconomic gap. Government should pay attention to education due to its importance. The role of education in personal and societal development are important and cannot be neglected, (18) highlight the need for continuous reform and cooperation to overcome barriers such as poverty, which can prevent individuals from accessing education. By prioritizing education, the government can work towards enhancing the educational system for the betterment of society, as education is essential for individual progress and the overall advancement of society.

The Contribution of Education Toward Human Resources Quality

Enhancement of human resources is a critical function of education. This programme provides students with the essential qualities and competencies required to effectuate transformation, foster originality, and navigate through the unpredictability and intricacies that arise in diverse spheres of life. The formation of human behaviour, a critical component of entrepreneurship, a domain that substantially enhances the calibre of human capital, is substantially influenced by education (19). According to (20) Education is of major significance as it empowers individuals and provides them with the essential knowledge and abilities to actively engage in diverse sectors. For example, individuals who have received training in fundamental business administration have developed proficiency in documenting business transactions, overseeing financial matters, and attaining concrete advantages from their enterprises. By providing guidance, instruction, and empowerment to individuals throughout the educational journey, this form of instruction promotes human resource development. Education enhances the capabilities of individuals in the realm of business by endowing them with pertinent knowledge, dispositions, and skills. Additionally, it strengthens their capacity to recognise and exploit opportunities, a critical factor in the progression of economic prospects. Meanwhile (21) stated that enhancing the quality of humans reflects the most significant impact that education has on the competitiveness of a country. Character and mindset are profoundly influenced by education, particularly when confronting challenges such as corruption that impede competitiveness. Education quality and character development can provide the populace of a nation with the means to propel economic advancement. Fostering a new generation with elevated principles and the capacity to produce both tangible and ethereal cultural contributions, education is the pivotal mechanism that can transform society. To produce high-quality human resources that can assist a nation in its crucial competitiveness-critical transition from a factor-driven to an innovation-driven economy, the education system must be enhanced. (22) Explained that education contributes substantially to the development of human resources. It is of paramount importance in the formation of human capital assets as it provides instruction and training for graduates, who subsequently make valuable contributions to the socio-economic progress of a nation. An increase in future income for individuals results from the investment in human capital through education; this is a direct economic benefit of acquiring an education. Furthermore, it is widely acknowledged that the higher education system significantly contributes to the socio-economic progress of areas by equipping graduates with the necessary skills and knowledge to enter the workforce, thereby potentially stimulating economic expansion and facilitating societal operations. Education is important, one of the first thing we all needed to have starting at the young age, therefore education is important and may become a key factor in ensuring human resources quality, explained by (23) that education is of crucial significance in augmenting the calibre of human capital through the provision of individuals with the requisite knowledge, abilities, and competencies to execute proficiently in the labour market. By providing practical and technical training, vocational education, such as that offered by vocational high schools, is specifically designed to prepare students for particular occupations. This form of education facilitates the development of students' job readiness, bolsters their self-assurance, and has the potential to mitigate unemployment by aligning acquired skills with the demands of the labour market. Education fundamentally establishes the groundwork for individuals to develop into productive contributors to society, satisfy the requirements of the labour market, generate fresh job prospects, and master emerging technologies. Educational institutions improve human resources through good administration and leadership. They match teachers, staff, students, parents, and the community's behaviours and goals with the organization's structure. Schools plan, hire, evaluate, and provide salary and facilities. These initiatives help the institution achieve
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its purpose, vision, and goal by enabling educators and staff to function productively. According to (24) there are several ways to improve education which is (1) Upgrading infrastructure and ensuring there is enough budget; (2) Encouraging a willingness to improve among all stakeholders; (3) Offering fair compensation to educators and staff; and (4) Providing effective management and leadership. Meanwhile (25) stated that in order to improve the quality of human resources, education equips individuals with the knowledge, abilities, and competencies necessary to contribute positively to society and carry out their professional responsibilities. Individuals who acquire a solid education are more adept at confronting difficult challenges, devising solutions, and fostering innovation. This results in a workforce that is more competent and proficient, which is critical for the advancement and progress of any nation or community. To put it simply, education functions as an instrument that enhances individuals’ capabilities, thereby augmenting their worth and efficiency in any endeavour they undertake.

The Contribution of Education Toward Economic Growth

Government expenditure on education is crucial in stimulating economic expansion through the accumulation of human capital, which subsequently increases the productivity of the labour force, enhances public welfare, and stimulates overall economic development (26). Aligning with this (27) stated that government spending on education can stimulate economic expansion in a variety of ways. Human capital development, an essential determinant of economic expansion, is invested in when the government allocates capital and recurring expenditures to the education sector. Investments in education contribute to the development of personnel's expertise, understanding, and capabilities, potentially resulting in enhanced economic performance and productivity. Another perspective on how education expenditure is important toward economic growth explained by (28) Government expenditure significantly influences economic expansion, specifically by affecting the education sector. The enhancement of the nation’s human capital can be achieved through the government’s allocation of funds to the education sector, thereby augmenting the quality of education. Government investments in education have the potential to procure educational materials, including textbooks, that enhance the learning experience and contribute to improved academic achievements. Moreover, the allocation of government funds towards education can exert a substantial impact on the educational component of the Human Development Index (HDI), which serves as an indicator of the social and economic capabilities of a given community. Government expenditures that enhance educational accessibility and calibre can result in a labour force that is more knowledgeable and proficient, thereby serving as a pivotal catalyst for economic expansion. According to (29) Education expenditures by the government can contribute to economic expansion and enhance academic achievement in a variety of ways. The provision of operational support for schools, financial aid for economically marginalised students, and teacher professional allowances are examples of government-funded assistance that can alleviate the financial strain on families and individuals associated with education expenses. Moreover, by increasing societal aggregate demand, government spending on education can stimulate economic expansion. Additionally, research has shown that investments in the health and education sectors significantly impact economic expansion. Through education, the government can indirectly impact economic expansion by enhancing the calibre of its personnel.

Education contributions are diversified, in which education can contribute toward economic growth through several aspects, these aspects are including (1) Human capital development; (2) Higher earning and employment; (3) Improved health and reduced poverty; (4) Technological advancement; and (5) Enhanced civic participation (30). These aspects are all critical toward economic growth, crucial aspect such as human development are very important in enhancing economic growth in general. According to (31) Education is comparable to sowing the seedlings of a robust economy into a garden. By attending school and acquiring new knowledge, individuals improve their intelligence and ability to perform their duties more effectively. When a greater proportion of the population of a given country is proficient in reading, writing, and mathematics, they are more likely to generate innovative concepts that stimulate business expansion and product development. Additionally, individuals who learn more frequently earn more money, which benefits all parties involved because it reduces destitution and enables more individuals to purchase necessities. Additionally, higher-educated families tend to have fewer children, which can assist the nation in providing better care for its citizens. Meanwhile (32) states that education contributes to economic growth in several ways which is (1) Skill Development. Education equips individuals with skills and knowledge that make them more productive in the workplace; (2) Innovation. Educated individuals are more likely to engage in research and development, leading to innovations that can create new industries or improve efficiency in existing ones; (3) Higher Earnings. Individuals with higher levels of education tend to earn more over their lifetimes; (4) Improved Education. Education improves health, which lowers healthcare expenditures and increases healthy working days, making workers more productive; (5) Economic Diversification. By preparing people for jobs in many areas, education helps diversify an economy and make it more resilient to sector-specific downturns; (6) Attracting Investment. Businesses seek skilled workers, thus a well-educated workforce can attract domestic and global investment; and (7) Social Benefits. Education can boost civic engagement and social solidarity, fostering economic prosperity.

According to the findings of this paper obtained through empirical research and evidence, the similarities between each findings, stated few point that are important to note, which explain that education are important to improve skills, and knowledge, this aspect
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are crucial to generate innovation, further such things like health improvement, social benefits, and higher earnings are also the most recognizable contribution of education, especially in modern society, where everyone wanted to have higher social status.

V. CONCLUSIONS

The result of this paper indicates that the evidence put forth in this paper emphasizes the critical significance of education in fostering economic expansion and improving the caliber of human capital. The diverse and extensive effects of education transcend the individual level, promoting progress in society and establishing a strong groundwork for a vibrant and inventive economy. Government funding for education serves as a strategic imperative rather than a mere social obligation; it produces tangible benefits such as the development of a proficient labor force, increased technological flexibility, and the promotion of social equity. There is an indisputable correlation between investments in education and enhanced employment opportunities, increased wages, and a multitude of societal advantages. Therefore, it is imperative that policymakers and stakeholders accord education the highest regard as a pivotal catalyst for progress, guaranteeing that sufficient financial resources are dedicated to foster the growth and advancement of individuals and, consequently, the welfare of the country. The long-term economic development and welfare of society are contingent on our dedication to maintaining and improving the educational system; therefore, this undertaking demands consistent investment and steadfast support. Potentially, governments and policymakers should contemplate augmenting their financial allocation towards education as a strategic economic policy, in light of the findings outlined in the paper. A more proficient and versatile labor force could result from an increase in the allocation of resources to the education sector, thereby augmenting the caliber of human capital. Individual wages, improved employment prospects, and increased employment rates are anticipated returns on this investment, all of which will contribute to the expansion and progress of the economy as a whole. Additionally, the article posits that education has far-reaching societal ramifications, extending beyond the personal growth and financial prospects of individuals. The aforementioned objectives encompass market diversification, innovation promotion, public health enhancement, and foreign investment attraction. As a consequence, education ought to be considered a vital element of a country's economic strategy, as opposed to merely a social service. Further examining the allocation of public funds to ensure that education is prioritized in order to maximize the long-term economic benefits may be necessary for policymakers in light of these findings. Moreover, in order to improve the employability and productivity of the forthcoming workforce, it might be necessary to modify educational curricula to correspond with the changing requirements of the labor market and technological progress. Constraint and consistent allocation of resources towards education is likely to generate a positive feedback loop of societal welfare and economic advancement, according to the paper's conclusion; thus, it emerges as a critical domain for policy intervention.

REFERENCES

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