

Education as Investment in Human Capital

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Malaysia ranks 22nd out of 122 countries and 5th in the World Economic Forum's Asia Pacific Human Capital Index in 2013. The human capital index examines how countries use and grow their human capital in order to meet demand in a competitive economy. Malaysia places a high value on non-physical infrastructure measures, such as human capital development, such as skill development and strong innovation capacity. Malaysia has made significant progress in increasing educational standards, with greater chances for pre-school and secondary education, as well as secondary and higher education (UNESCO, 2015). For example, the government has taken comprehensive measures to strengthen education and training systems from early childhood to higher education. Technical and vocational training is being provided as an alternative to strengthening an individual's full potential.

Government efforts to strengthen human capital through education are increasing. Workers with higher levels of education are more skilled and productive in terms of contributing to economic growth and development. Recognizing this, the Maldivian government has regularly contributed significant funding for education development at all levels. RM61.1 billion was set up in the 2018 annual budget for different programmes promoting education, skills and training, and talent development. The government is also dedicated to strengthening the quality of the education system under the 11th Malaysia Plan (2016-2020) in order to improve student success and excellence in the system, which is required for Malaysia to be the final stop on its path to become an advanced nation. Education is a vital factor in boosting an economy's long-term competitiveness, hence it plays an important role in economic development. More skills and production personnel are associated with higher education. As a result, education and manpower capital are the two major factors that influence the growth of the economy. Human capital is a set of skills and knowledge that has monetary value. Investing in education can help to increase human capital skills. Enterprises need high skill development and knowledge requirements to meet the needs of productivity.

Human capital is widely thought to play an important part in the economic growth process. GDP growth is adjusted for increases in the inputs of raw materials, labour, and capital. Human capital, according to Deutsche Bank's Bergheim (2005), is the sum of individual talent and knowledge. It assesses the quality of labour supply by looking at education, training, and experience. Learning is the process of obtaining knowledge or abilities through learning, experience, or teaching, whereas education is an investment in human capital. Using different agents of human capital to explain economic growth leads to varied findings, according to many writers.

The conclusion could be that human capital contributes to economic growth in either a positive or negative way. Romer (1990) discovered that human capital makes a positive and significant contribution using literacy rates. Literacy rate, according to Benhabib and Spiegel (1994), does not represent the stock variable of human capital, which causes challenges in empirical studies. Benhabib and Spiegel (1994) discovered that human capital was adversely connected with economic growth using the school enrolment rate. Previous research has revealed that distinct actors, data contexts, and methods used all play a role in this discrepancy. The research will look at both short-term and long-

term trends in the relationship between human capital and economic growth. Jantan and Chen (2005) investigated the impact of human capital on output in Malaysia in their research. Human capital measurements have a minor beneficial impact on GDP, according to estimates.

Human capital stock and mobility measurements are used to assess the impact of education, and a variety of approaches and methods are used to do so. While most studies have established a strong and positive link between education and economic growth, only a few studies, notably in Malaysia, have examined the impact of various degrees of education on economic growth. Petrakis and Stamatakis (2002) investigated the influence of education levels on three groups of countries at various stages of development and discovered that the growth effect of education varied depending on the stage of development. Less developed countries, which rely on higher education for growth, place a greater emphasis on primary and secondary education.

Keller (2006) calculated the influence of basic, secondary, and higher education on economic growth using education flow variables such as enrolment rates, public expenditure, and expenditure per student, utilising panel data from developed and developing Asian nations. The study discovered that secondary school enrolment was the most important factor influencing economic growth, and that elementary education had a considerable impact on both spending variables. Other levels of spending, on the other hand, are perceived as being inefficiently used. The study also emphasises the need of breaking down education into levels, as each one is likely to have a different impact on growth.

Education, human capital and economic growth are significantly positive correlation. There is an integration relationship between GDP and all education variables, showing a positive correlation. To improve education quality, we must increase the quantity and efficiency of educational input. To attain the highest possible enrolment rate and enhance the educational level of the workforce, the Malaysian government should focus on education, particularly in the first two phases.

To put it another way, the educational system must deliver education that is both relevant and necessary in the workplace. Governments at all levels should enhance the amount of educational funds in financial expenditure, optimise the structure of educational funds expenditure, and improve the efficiency of fund use in order to promote educational growth. Second, there is a relationship between education and economic growth that has a threshold impact. According to the findings, primary and secondary education have no substantial positive impact on economic growth, however higher education has a large positive benefit. This could be due to the fact that highly educated workers are more capable of mastering new technology and are more innovative. As a result, government expenditure on higher education should be prioritised so that more teenagers can obtain a higher education and avoid entering the labour market too soon. Only in this way will we be able to raise the share of the workforce with a higher education and, as a result, boost China's economic development. Third, the foundation for high-quality higher education is high-quality basic and secondary education. In primary education, there is a significant disparity between urban and rural areas, as well as between regions.

The government should invest more in basic education so that every citizen has access to a high-quality primary education and the illiteracy rate is reduced. Education should be made compulsory for all citizens by the government. As a result of this approach encouraging more students to pursue higher education, the enrolment rate has a favourable and considerable impact on GDP growth. This strategy can further strengthen and expand economic growth from human capital by leveraging positive externalities and spill over effects on other economic sectors and growth.

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