

## THE ROLE OF ISLAMIC EDUCATION IN ECONOMIC GROWTH

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## Abstract

The quality of Islamic education in Indonesia also significantly influences economic growth. Therefore, economics is crucial for the development of Islamic education in Indonesia, namely by increasing learning productivity so that future generations who are currently studying can better understand Islamic education for the advancement of Islamic education and the economy in Indonesia. With economic needs increasing day by day, Islamic education will contribute to economic growth and progress, as it will produce more professional Human Resources (HR) for both the industrial sector and other sectors, and from there will impact and influence the economic growth of the Indonesian nation in the future.

**Keywords:** Economic, Education, Islamic

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## INTRODUCTION

The development of Islamic education is inextricably linked to economic issues, both directly and indirectly. It must be acknowledged that the influence of Islamic education on the economy has a profound impact. Under these circumstances, education should not always be considered a burden on consumption needs that must be financed. Education must now be viewed as an investment for the future, and its benefits will be felt in the long term and in the future of every individual. The concept of education as investment has developed rapidly, and it is believed by every citizen that development in the education sector is a primary requirement and key to the growth of other sectors. The concept of human capital investment, which can

support economic growth, has been considered since the time of Adam Smith, Heinrich von Thunen, and other classical theorists before the 19th century, who explained the importance of investing in human skills. In the 1960s, scientific research became a crucial pillar, especially when Theodore Schultz's 1960 speech, "Investment in Human Capital," before the American Economic Association, marked the beginning of modern human capital theory. The key message conveyed in the speech was simple: that the process of acquiring knowledge and skills through education is not merely a form of consumption, but also an investment. Furthermore, development in Islamic education became a key element that could directly contribute to a nation's growth, particularly through the level and quality of Islamic education within a country. The uneven economic development in our country demands a significant role for religious education to overcome the current moral and economic decline of the younger generation. One way to achieve this is through Islamic Religious Education, which is expected to play an active role in shaping a young generation with good morals and character, contributing to the success of their economic activities. In addition to imparting Islamic values to the economy, Islamic Religious Education also makes a significant contribution. Students (from lower socioeconomic backgrounds) are encouraged to develop themselves economically, as educational institutions provide a platform for economic development.

To date, Islamic Religious Education has focused solely on maintaining morality and religious obedience. The impact of Islamic Religious Education on the nation's economic development, both directly and indirectly, remains largely unnoticed. In fact, Islamic educational institutions are often seen as mere agents or distributors of diplomas, providing employment opportunities, and obtaining certificates to further their education. The relationship between educational institutions and the community is largely transactional, thus diminishing their sensitivity to the surrounding environment. The institution itself, let alone improving the welfare of the community, remains inadequate.

In developed countries, education, besides being a consumer good, is also considered an investment (human capital investment), making it a key sector. The government places significant emphasis on educational development by allocating a budget for the education sector, on par with other sectors. So that success in investing in economic interventions (budget support), and collaborating in education in development progress includes progress in the economic sector itself.

To realize how Islamic education can become a leading score in a nation's economic development, systematic steps must be prepared to achieve educational goals. The goal is to educate the nation's children and make the country a developed, just, and prosperous nation. This study will examine the correlation and synergy between Islamic education and economics. It is hoped that this will foster a comprehensive, substantive understanding of the role of Islamic education and economics in building the economy itself in the future.

## RESEARCH METHOD

This study employed a qualitative approach and descriptive research. The goal was to obtain a comprehensive understanding of the dimensions of correlation and synergy between Islamic education and economics. This was intended to develop a comprehensive, substantive understanding of the role of Islamic education in national economic development. After obtaining qualitative data, it was analyzed based on observations or findings in the field. The following data collection techniques were used observation, literature review, documentation.

In the observation, the author collected data using participant observation, conducting direct research into the state of education and the economy. In the literature review, the author used a literature review as a method of data collection, as it can increase knowledge of theories that can support this research. To complement this research, the author documented the data collection process. Therefore, the author used a descriptive qualitative method based on a

literature review, which clearly illustrates the dimensions of correlation and synergy between religious education and economics objectively, reflecting the situation and theories with the facts on the ground.

## RESULTS AND DISCUSSION

According to Zakiah Drajat in the book *Islamic education* written by Rudi Ahmad Suryadi, Islamic education is an education of faith and charity education. Because Islamic teachings contain teachings about people's personal behavioral attitudes towards the prosperity of individual and collective life, Islamic education is both individual education and community education.

From the definition above, it can be concluded that Islamic education is an effort to disrupt and develop all individual and social potential of the people based on Islamic teachings. The aim of Islamic education is that Islam is tasked with maintaining and instilling Islamic values contained in the Al-Quran and Hadith. Along with the progress and development of modern life, it has had a big influence on culture and lifestyle. Islamic education provides flexibility in experiencing every community life.

Currently, development in the education sector is a budget-intensive sector with unclear economic benefits. This has led to doubts from various perspectives, even distrust, in various sectors of Islamic education as a foundation for progress and development across all economic sectors.

Some time ago, research on the relationship between education and the economy experienced stagnation and ambivalence due to growing doubts about the role of education in economic growth in several countries, particularly the United States and several other developing countries receiving World Bank assistance at the time. This opinion arose from criticism by educational sociologists, including Gary Basker.

Other research has reaffirmed the scientific importance of educated individuals in supporting significant economic growth across all other macroeconomic sectors. Based on this belief, the World Bank has resumed its international aid distribution to various countries. The contribution of education to this growth is further strengthened after calculating the interaction effect between education and other investments. This means that investments in physical capital will multiply in value in the future, just as investments in human resources, who will directly benefit from those investments, are also realized.

It is now widely recognized that human resource development in a country is a crucial element for prosperity and growth, as well as the effective use of existing physical capital resources. Investment in human capital is an integral component of all development efforts. Education must encompass a broad spectrum of societal life.

Investment is the investment of money or capital. The purpose of this investment is to generate profit, whether in the form of money or capital, or in the form of goods or other services.

Currently, human resource development in a country is a crucial element for sustainable economic growth and prosperity, enabling the effective use of its physical resources. Investment in human resources is integral to all development efforts. Education must encompass a wide spectrum of societal life. The term "investment" refers to the allocation of current resources, a highly productive alternative for carrying out activities and increasing the profits obtained by the users of existing human resources in various activities. Thus, it is clear that investment is the deliberate investment of capital or a sum of money to generate profit, whether from the resulting product or service.

Islamic education, then, is a human endeavor to develop oneself, confronted with various challenges that are inseparable from the dimensions of time and space. Thus, education is lifelong learning, whether in formal or non-formal forms. Education is intended to enhance

human dignity and competence, enabling them to possess abilities and skills, leading to high productivity. Therefore, the results of education will become a valuable resource with a significant purpose for the growth and development of a nation.

Investing in Islamic education involves investing a substantial amount of money or capital by allocating funds or a budget to provide Islamic education and profiting from the human resources produced through the educational process. In this context, education is viewed as a human learning industry, producing individuals with the skills critically needed for the economic development of a nation or state, increasing individual and national income.

Therefore, investing in education is a long-term investment to determine its results. These results are not directly tangible, but rather beneficial to the individuals receiving education and the nation. The function of investment is that education makes a significant contribution to improving the quality of life, human well-being, and national income, particularly in the following areas; an open learning and teaching process; society continually considers new ideas and expectations and accepts new attitudes and processes without compromising itself, the education system provides the right foundation for human resource development, which is the spearhead for driving the economic sector, in every economic sector, we obtain all the factors needed by society, except for skilled labor. Therefore, investment will increase per capita income, unless the social structure is unfavorable within the community, the education system creates and maintains the supply of human skills in the labor market. Furthermore, it is able to accommodate and adapt to changing needs in the workforce and society, as well as modern technology.

Investment in education focuses on human capital (Geri. S. Backer, 1962), which is related to activities that significantly influence future real income through human resources. Human capital refers to labor as a factor of production that connects several non-economic aspects of education to other economic aspects that have other essential characteristics. For example, labor quality is a productive input factor and cannot be divided and used separately. This labor capability cannot be transferred to other parties.

Acesuryadi (1991) further explained that according to human capital theory, it is reflected in skills, knowledge, and work productivity. He then stated that investment in human capital directly or indirectly establishes a relationship between educational indicators and the economic indicators of other parties. This is referred to as cost-benefit analysis of education. This method is a very important methodology for analyzing investment in education and can assist in decision-making in selecting alternative allocations for limited educational resources to provide the most optimal capabilities. tall.

The role of economics in education is quite influential, but it is a crucial one. There are other factors that determine the life or death and progress or decline of an educational institution than economics: the dedication, expertise, and skills of its teachers. This is the key to the success of a school or university. This means that the teachers and lecturers are highly dedicated, experts in their fields, and possess sufficient skills to carry out their duties. The function of economics in education is to support the smooth running of education, not to provide capital to be developed and to generate abundant profits. The role of economics in education or schools is one part of the educational resources that can enable children or students to develop cognitive, affective, and psychomotor skills to become reliable human resources capable of creating their own jobs, developing a work ethic and a culture of thrift. In addition to supporting the educational process, economics also serves as learning material on economic issues in human life.

Therefore, the role of economics is very limited to the following; meeting educational needs that cannot be produced independently, such as facilities and infrastructure, media, and technological tools, paying for all building supplies, such as water, electricity, and telephone, paying for services from all educational activities, developing good individual behavior, such as learning to live frugally, meeting the basic needs of personnel, increasing work motivation,

increasing the work enthusiasm of teaching staff, developing existing facilities and infrastructure, developing adequate human resources.

According to Mutrofin (1996), developed countries have a clear commitment to developing the education sector. This commitment is also reflected in clear economic support. The economic system is oriented towards educational needs based on meeting the needs of modern society, including high technology, flexibility, and workforce mobility. In the Indonesian context and perspective, appropriate and strategic educational development, with the emergence of Link and Match, this policy expects the education sector to prepare a workforce suited to the global job market, encompassing quality, along with adequate amounts and types of economic support. The role of the economy in supporting equipment and buildings produces educational outcomes, technically based on improving educational quality.

The basic assumption of assessing economic growth begins with improving the quality of Islamic education as a form of state responsibility for the quality of its people. Economic growth will increase if the quality of education also improves. Seeing this success, the Indonesian state with the 1945 Constitution that has been amended and mandates the government to set the education budget at 20 percent of the state budget as outlined in Article 31 Paragraph 4. Investment in human resources in educational development, which is clearly depicted in the form of investment in the field of human resources development, is a long process. To support the success of this plan, education is used as a benchmark for building a nation. The success of the Islamic education process is the contribution of various cross-sectors ranging from labor, industry, economy, culture and so on.

Islamic education makes a significant contribution to education and economic development. This provides absolute and concrete justification for the fact that a good quality Islamic education can lead to sound financial management. Various academic studies have proven this validity. Education is the path to progress and achieving social and economic prosperity. However, failure to develop education can lead to crucial problems, such as unemployment, crime, drug abuse, and welfare deferrancy, which ultimately lead not only to social issues but also to economic burdens borne by various parties.

Education and economic development must be a concern for all parties. Education has a strong supporting force for economic growth. Education can increase a person's work productivity, which in turn increases their income. Increased income also significantly impacts a country's national income, which in turn can improve the standard of living of the masses and the lower-middle income group.

Meanwhile, Jones (1984) views education as a tool and infrastructure for preparing an educated and trained workforce, which is crucial for a country's economic growth. Jones observed that education has the ability to prepare students to become potential workers. This makes them more prepared for their jobs, which will boost labor productivity, which will directly increase national income. According to him, the correlation between education and income appears more significant in developing countries. Meanwhile, Vaizey (1962) sees education as the main source of skilled and trained talent. Education plays a crucial role in providing the workforce. This should be the basis for educational planning, as economic institutions require educated and trained workers. The problem faced is that there is rarely a strong equivalence between jobs and the education required, resulting in the emergence of well-educated and trained unemployment.

## CONCLUSION

Indonesia's economic growth is also influenced by the quality of Islamic education. Therefore, Islamic education in Indonesia is crucial for economic growth and increasing learning productivity, ensuring the nation's next generation understands economics and improves Indonesia's underperforming economy.



Improving the quality of Islamic education can therefore address the growing economic needs. Education is a key factor in economic growth. Islamic education can produce more professional human resources with good morals and integrity for the industrial and other sectors, thus impacting and influencing the nation's economy in the future.

The emergence of the concept of Islamic education represents a significant investment in a rapidly growing economy, and citizens increasingly believe that education is the key to economic development and other developmental milestones. The concept of human capital investment, which can support economic growth, must be built and developed within an economic structure that supports the emergence of quality education. Education contributes significantly to economic growth. Several academic and empirical studies have proven this validity. Human Capital Theory states that education significantly influences economic growth. This is evidenced by increased skills and work productivity. Human resources can only be produced through a quality education system. Human Capital Theory explains that formal education is the most important instrument for creating a highly productive and meaningful economic system.

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