ABSTRACT

NENDEN BUDIARTI. The Analysis of Rate of Return to Education in Nanggroe Aceh Darussalam Province. Under supervision of RINA OKTAVIANI and RATNA WINANDI.

Education is one of human capital investment, because it transfers skill and knowledge that can increase productivity and economic growth. Good quality of human capital is required to aim modern economic, based on knowledge and sustainable economic development. This study aims to analyze the rate of return to education in Nanggroe Aceh Darussalam Province using Mincerian earnings function. The analysis is conducted by seeing the effect of difference gender, place of living and sector to the variation of every level of education. The result shows there is no difference in rate of return to education between men and women which is showed by insignificant interaction variable between sex and years of schooling. The rate of return to education which is accepted by individual industry and services tends to increase along with higher individual level of education. While the rate of return to education in agriculture exactly tends to decrease. If the rate of return to education is compared to 8.24 percent average interest rate of fixed deposit in 2007, then the human capital investment will be more profitable only for individual who attains upper junior high school and works in services. When the rate of return to education is compared to 13.01 percent of average credit interest rate, then the expensed by loan is reasonable to expense higher level of education. The limited of this study is the lower R², which shows the low variation of the variables to the model and shows that education is not the main factors that affect wage.

Keywords: Human capital investment, rate of return to education, Mincerian earnings function