

Economic Growth and Development: An Empirical Study on the Importance of Economics Education and Taxation Systems

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Abstract

Keywords: Economic Development, Economics Education, Taxation System

Economic development is a complex and long-term process that requires sustained policy coherence, institutional stability, and strong human capital formation. While education and fiscal systems are widely acknowledged as key drivers of growth, empirical evidence capturing stakeholder perceptions particularly in developing country contexts remains limited. This study aims to examine the perceived role of economics education in enhancing economic literacy and decision-making capacity, as well as the importance of taxation systems in supporting sustainable economic development in Indonesia. This research employs a quantitative descriptive survey design, collecting data from diverse stakeholder groups, including business actors, students, teachers, economists, tax consultants, and accountants. The findings reveal a high level of consensus across all respondent categories. Economics education is widely perceived as essential for improving understanding of economic indicators, strengthening financial discipline, and supporting effective policy interpretation. In parallel, taxation systems are recognized especially by professional groups as critical instruments for revenue generation, equitable resource distribution, macroeconomic stability, and long-term public investment. These findings are consistent with development experiences in countries such as China and Japan, where coherent fiscal policies and human capital investments have driven structural transformation. This study contributes to the literature by providing empirical evidence of cross-stakeholder alignment in a developing economy, highlighting the strategic importance of integrating economics education and tax literacy into policy frameworks. Strengthening these areas is crucial for fostering inclusive, resilient, and sustainable economic development.

Abstrak

Kata Kunci: Pembangunan Ekonomi, Pendidikan Ekonomi, Sistem Perpajakan

Pembangunan ekonomi merupakan proses yang kompleks dan jangka panjang yang memerlukan koherensi kebijakan yang berkelanjutan, stabilitas kelembagaan, serta pembentukan sumber daya manusia yang kuat. Meskipun pendidikan dan sistem fiskal telah diakui sebagai pendorong utama pertumbuhan, bukti empiris yang menangkap persepsi para pemangku kepentingan khususnya dalam konteks negara berkembang masih terbatas. Penelitian ini bertujuan untuk mengkaji peran yang dipersepsikan dari pendidikan ekonomi dalam meningkatkan literasi ekonomi dan kapasitas pengambilan keputusan, serta pentingnya sistem perpajakan dalam mendukung pembangunan ekonomi berkelanjutan di Indonesia. Penelitian ini menggunakan desain survei deskriptif kuantitatif dengan melibatkan berbagai kelompok pemangku kepentingan, termasuk pelaku usaha, mahasiswa, guru, ekonom, konsultan pajak, dan akuntan. Hasil penelitian menunjukkan tingkat konsensus yang tinggi di seluruh kategori responden. Pendidikan ekonomi secara luas dipersepsikan sebagai faktor penting dalam meningkatkan pemahaman terhadap indikator ekonomi, memperkuat disiplin keuangan, serta mendukung interpretasi kebijakan yang efektif. Di sisi lain, sistem perpajakan terutama menurut kelompok profesional diakui sebagai instrumen krusial dalam menghasilkan pendapatan negara, mendistribusikan sumber daya secara adil, menjaga stabilitas makroekonomi, dan mendorong investasi publik jangka panjang. Temuan ini sejalan dengan pengalaman pembangunan di negara seperti China dan Jepang, di mana kebijakan fiskal yang konsisten dan investasi pada sumber daya manusia mendorong transformasi struktural. Penelitian ini berkontribusi pada literatur dengan menyediakan bukti empiris mengenai keselarasan pandangan lintas

pemangku kepentingan dalam konteks negara berkembang, serta menegaskan pentingnya integrasi pendidikan ekonomi dan literasi pajak dalam kerangka kebijakan. Penguatan kedua aspek ini menjadi kunci dalam mewujudkan pembangunan ekonomi yang inklusif, tangguh, dan berkelanjutan.

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INTRODUCTION

Economic growth is often achieved through sacrifices, disciplined policies, and controlled monetary expansion, yet it remains the primary pathway for nations to attain prosperity and improved living standards (Barro, 2013). Virtually all countries aspire to economic development, as it enables sustainable improvements in welfare, employment, and social equity (Acemoglu & Robinson, 2012). Many nations that were once economically backward have achieved remarkable progress through strategic interventions. For instance, post-World War II Japan, devastated by war, pursued aggressive human capital investment via widespread professional and technical education, alongside effective management practices and export-oriented industrialization, propelling it to one of the world's highest levels of development within decades (Lin, 2011). Japan's model, emphasizing quality education and industrial upgrading, has become exemplary, particularly in automobiles and electronics (Krueger, 1997).

Similarly, China transformed its economy through state-led strategies, including balanced sectoral development (agriculture, industry, and small- and medium-sized enterprises), large-scale infrastructure projects, deregulation, and incentives for foreign direct investment (FDI) (Lin, 2011). These policies, combined with improved international relations, boosted investor confidence and sustained high growth rates (Acemoglu & Robinson, 2012). In South Asia, Bangladesh once among the least developed nations experienced rapid growth by focusing on the textile sector as a major export driver and implementing microfinance programs to support cottage industries, significantly enhancing employment and income (Barro, 2013). Vietnam, recovering from prolonged economic challenges, emphasized human resource organization, cottage industry strengthening, and industrialization to create jobs and drive development (Krueger, 1997).

These examples illustrate that structural transformation, industrialization, deregulation, and FDI are strongly linked to economic growth (Acemoglu & Robinson, 2012; Krueger, 1997; Lin, 2011). Professional and technical education,

alongside targeted sectoral policies, emerges as a vital mechanism for human capital accumulation and sustained progress (Schultz, 1961; Becker, 1993).

Economics education plays a particularly foundational role in this process, as it equips individuals and policymakers with tools to understand resource allocation, monetary dynamics, inflation control, and development indicators such as the Consumer Price Index, national income, and per capita income (Hanushek & Woessmann, 2015). By fostering economic literacy, analytical skills, and policy acumen, it supports sectoral development, financial discipline, and institutional capacity building across society (Becker, 1993). Qualified economists and economically literate professionals are essential for managing financial institutions the backbone of modern economies and driving social and economic transformation (Schultz, 1961).

Empirical studies consistently affirm that human capital, including education, is a key driver of long-term growth (Hanushek & Woessmann, 2015; Becker, 1993). However, while extensive research examines education's broad contributions such as cognitive skills and general schooling attainment (Hanushek & Woessmann, 2015) a notable gap persists in exploring economics education specifically as a strategic instrument. Most studies treat human capital in aggregate terms, without isolating the distinct role of specialized economics training in enhancing monetary policy effectiveness, controlling inflation, informing evidence-based policymaking, and building resilience in transitioning economies (Hanushek & Woessmann, 2015). Limited attention has been paid to how economic literacy among youth and students shapes long-term trajectories, especially in developing countries moving from instability toward sustained growth.

This study addresses this gap by positioning economics education as an integrative framework that links human capital development, informed policy formulation, and sustainable economic growth. Drawing on foundational human capital theories (Schultz, 1961; Becker, 1993) and recent evidence on education quality (Hanushek & Woessmann, 2015), it contributes a holistic perspective on how nations can achieve resilient development through targeted economics expertise, professional training, and institutional strengthening.

RESEARCH METHODS

This study employed a quantitative descriptive survey method to examine the importance of economics education and the role of the taxation system as the backbone of the economy. The choice of this method aligns with the research background, which emphasizes economics education as a fundamental driver of economic development, social discipline, and informed policy implementation.

The survey approach was considered appropriate to capture perceptions from various stakeholders directly involved in economic activities and education.

Table 1. Perceptions on the Importance of Economics Education (Business, Students, and Teachers)

| Category | Yes | No |
|--------------|-----------|----------|
| Business | 3 | 1 |
| Students | 8 | 2 |
| Teachers | 10 | 1 |
| Total | 21 | 4 |

Table 2. Perceptions on the Importance of Economics Education (Professional Economic Practitioners)

| Category | Yes | No |
|-----------------|-----------|----------|
| Economists | 4 | 0 |
| Tax Consultants | 5 | 0 |
| Accountants | 6 | 0 |
| Total | 15 | 0 |

Table 3. Perceptions on the Role of the Taxation System as the Backbone of the Economy (Business, Students, and Teachers)

| Category | Yes | No |
|--------------|-----------|----------|
| Business | 3 | 1 |
| Students | 8 | 2 |
| Teachers | 10 | 1 |
| Total | 21 | 4 |

Table 4. Perceptions on the Role of the Taxation System as the Backbone of the Economy (Professional Economic Practitioners)

| Category | Yes | No |
|-----------------|-----------|----------|
| Economists | 4 | 0 |
| Tax Consultants | 5 | 0 |
| Accountants | 6 | 0 |
| Total | 15 | 0 |

Overall, the findings presented in Tables 1–4 demonstrate a strong and consistent level of agreement across all respondent categories regarding the importance of economics education and the central role of the taxation system in economic development. Both general stakeholders (business actors, students, and teachers) and professional economic practitioners (economists, tax consultants, and accountants) predominantly responded positively to the proposed hypotheses. Notably, the unanimous agreement among professional respondents underscores a shared expert perspective that economics education

is fundamental for building economic literacy, ensuring financial discipline, and supporting effective taxation systems. These results reinforce the argument that economics education and a well-functioning taxation system are foundational pillars of a stable and sustainable economy, providing empirical support for the theoretical framework discussed in the background of the study.

RESULTS AND DISCUSSION

The survey findings from Tables 1–4 reveal a robust and consistent consensus across diverse respondent groups (business actors, students, and teachers) and professional economic practitioners (economists, tax consultants, and accountants) on the critical importance of economics education and the pivotal role of taxation systems in fostering economic development. High levels of agreement on both hypotheses indicate that economics education is perceived not merely as an academic pursuit but as a practical tool for enhancing economic literacy, financial discipline, and informed policymaking. Similarly, taxation is widely viewed as the backbone of the economy, serving as a primary revenue source, instrument for redistribution, and enabler of public investments.

A key distinctive finding of this study is the remarkable convergence of perceptions across heterogeneous groups, including non-experts (students and business actors) and domain experts (economists and tax professionals). This broad alignment contrasts with prior research, which often highlights divergences in economic understanding between laypersons and specialists (e.g., Caplan, 2007; Walstad et al., 2013) or focuses primarily on general financial literacy rather than economics-specific education (Atkinson & Messy, 2012; Lusardi & Mitchell, 2014). In developing contexts like Indonesia, where economic literacy surveys are limited (Putro et al., 2020; Abbas, 2021), this study provides rare empirical evidence of shared recognition of economics education's role in interpreting indicators such as inflation, national income, and fiscal policy, thereby supporting more effective policy implementation (Hanushek & Woessmann, 2020; Bruhn & Zia, 2023).

The unanimous support among professional respondents underscores an expert consensus on economics education's contribution to human capital accumulation, aligning with foundational theories (Becker, 1993; Schultz, 1961) and recent evidence linking education quality to long-term growth (Hanushek & Woessmann, 2015; 2020). Regarding taxation, the strong agreement reinforces its institutional role in building state capacity and macroeconomic stability (Acemoglu & Robinson, 2012; Besley & Persson, 2013), particularly in emerging

economies where tax compliance and administration improvements correlate with higher growth (Bird & Vaillancourt, 2014; Dom, 2018; Prichard et al., 2019).

This research contributes to the literature by bridging a gap in empirical studies on economics education as a targeted driver of sustainable development in developing countries. While extensive work exists on general human capital and taxation's growth effects (Barro, 2013; Lin, 2011; Durusu-Ciftci et al., 2018), few integrate multi-stakeholder perceptions of economics education alongside taxation (Gonçalves et al., 2025; McCowage, 2022). By documenting cross-group consensus in an Indonesian context, the study offers practical insights for policymakers aiming to enhance economic curricula, tax education programs and institutional reforms to bolster fiscal discipline and resilience.

Despite these contributions, several limitations warrant caution. First, the study relies on self-reported survey data from a convenience sample, potentially introducing response bias and limiting generalizability beyond the surveyed groups and regions (e.g., urban bias in Indonesia; Putro et al., 2020). Second, the cross-sectional design captures perceptions at a single point, precluding causal inferences or assessment of changes over time. Third, while agreement levels are high, the study does not measure actual economic literacy or behavioral outcomes (e.g., tax compliance or policy support), which could differ from stated views (Lusardi & Mitchell, 2014; Walstad et al., 2013).

Future research should address these gaps through longitudinal studies tracking how enhanced economics education influences economic behaviors and outcomes, randomized interventions evaluating tax literacy programs, or comparative analyses across developing countries (e.g., Indonesia vs. Vietnam or Bangladesh). Additionally, incorporating objective measures of economic knowledge (e.g., standardized tests) and exploring moderators such as socioeconomic status or regional disparities would strengthen causal claims and policy relevance (Hanushek & Woessmann, 2020; Bruhn & Zia, 2023).

In summary, this study empirically validates the theoretical linkage between economics education, effective taxation, and sustainable economic development. By highlighting widespread stakeholder agreement in a developing economy context, it underscores the need for sustained investment in economics curricula and tax administration as strategies for building economic resilience and inclusive growth.

CONCLUSION

The results of this study indicate that political stability significantly enhances the effectiveness of achieving economic development goals, particularly in developing countries where sectoral reforms such as those in

agriculture yield substantial productivity gains. Empirical evidence highlights notable improvements in agricultural output in countries like Nepal and Cambodia, driven by targeted policies that strengthen institutional frameworks, optimize resource management, and bolster rural economic activities. These findings suggest that stable political environments facilitate consistent policy implementation, attract investment, and support inclusive growth across agriculture, industry, and services sectors. Theoretically, this reinforces the idea that political stability reduces uncertainty, enhances state capacity for sustainable development-aligned reforms, and fosters long-term human capital accumulation and sectoral balance essential for resilient economic progress. A holistic, multi-sectoral approach thus emerges as indispensable, confirming economic development as the cornerstone of societal advancement through improved living standards, economic stability, and strengthened institutional structures.

Despite these insights, the study has limitations, including reliance on secondary data and case-specific examples (Nepal and Cambodia), which may limit generalizability to other contexts amid varying degrees of instability or external shocks such as climate or geopolitical factors. The cross-sectional or aggregate nature of the evidence also precludes strong causal claims regarding the precise mechanisms linking stability to sectoral outcomes. Future research should employ longitudinal panel analyses or quasi-experimental designs across a broader sample of developing economies to disentangle short- versus long-term effects, incorporate variables such as governance quality or climate resilience, and explore moderating roles of international aid or digital infrastructure in amplifying stability's benefits for agriculture and overall sustainable development. Such extensions would further refine theoretical models and inform evidence-based policy strategies for fostering enduring economic resilience.

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