

CONTENTS

TITLE PAGE	i
SUPERVISOR APPROVAL.....	ii
ORAL EXAM REPORT.....	iii
STATEMENT OF ORIGINALITY.....	iv
ABSTRACT.....	vi
<i>ABSTRAKSI</i>	viii
ACKNOWLEDGEMENTS.....	viii
LIST OF FIGURES	xiv
LIST OF TABLES	xv
CHAPTER I INTRODUCTION.....	1
1.1 Background.....	1
1.2 Research Questions.....	2
1.3 Research Aims and Objective.....	3
1.4 Thesis Outline.....	3
CHAPTER II LITERATURE REVIEW.....	4
2.1 Theoretical Literature.....	4
2.1.1 Human Capital Investment.....	4
2.1.2 Education Signaling Model.....	6
2.1.3 Estimating Return on Education using Mincerian Earning Function	7
2.2 Empirical Evidence.....	8
2.3 Research Hypothesis.....	11

CHAPTER III RESEARCH METHODS.....	12
3.1 Variables and Definitions	12
3.1.1 Dependent Variable.....	12
3.1.2 Explanatory Variable	13
3.1.3 Control Variables	13
3.2 Data Source	14
3.3 Data Collection.....	15
3.4 Data Analysis	15
3.4.1 Baseline Specification	15
3.4.2 Endogeneity Problem.....	17
3.5 Statistical Inference.....	19
CHAPTER IV RESULTS AND DISCUSSION.....	20
4.1 Educational Attainment in Indonesia	20
4.2 Descriptive Statistics	24
4.3 Estimation Results.....	26
4.3.1 Return on Education	26
4.3.2 Rate of Return Difference Between SMA and SMK.....	29
4.3.3 Instrumental Variable Estimation.....	30
4.4 Discussion	33
CHAPTER V CONCLUSION	36
5.1 Conclusion.....	36
5.2 Policy Recommendation	36
5.3 Limitations.....	37
5.4 Suggestion for Further Research	37
REFERENCES	39
APPENDIX A.....	44

APPENDIX B46
APPENDIX C48

