

## THE EFFECT OF EDUCATION LEVEL ON EMPLOYEE INCOME: A CASE STUDY OF BANK SYARIAH INDONESIA (BSI) 2019-2024

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Receive: 01/09/2025	<b>Abstract</b> - This study aims to analyze the effect of education level on employee income at Bank Syariah Indonesia (BSI) during the 2019-2024 period. Education is measured based on formal level (Diploma, Bachelor's, Master's, and Doctoral), while income is measured by basic salary and fixed allowances. The method used is multiple linear regression analysis with panel data involving a sample of 120 employees selected using purposive sampling. The results show that education level has a positive and statistically significant effect on employee income. Work experience and position/title variables also proved to significantly influence income. These findings support the human capital theory which states that investment in education can increase productivity and, ultimately, the compensation received by individuals. This study recommends that banking institutions such as BSI continue to design compensation structures that recognize and incentivize the educational qualifications of their employees.
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## INTRODUCTION

In the era of the knowledge-based economy, qualified human resources (HR) are the most valuable asset for an organization, particularly in the financial services sector such as banking. Bank Syariah Indonesia (BSI), established from the merger of three state-owned Islamic banks in 2021, faces significant challenges in managing and developing competent human resources to compete in the global market. The quality of human resources is partly determined by the level of education, which is considered a proxy for an employee's knowledge, skills, and analytical abilities. Human Capital Theory (Becker, 1964) posits that education is a form of investment that can enhance an individual's productivity, which, in turn, is rewarded by the labor market in the form of higher income. Within the context of Sharia banking, where the complexity of products and Sharia governance requires a profound understanding, the role of education becomes even more crucial.

Hypothetical data from the BSI HR Division (2024) indicates a significant variation in income among employees with different educational backgrounds. For illustration, the average starting salary for employees with a Master's degree (S2) was consistently 25-40% higher than that of Bachelor's degree (S1) holders for equivalent positions in 2023. Meanwhile, a previous study by Firmansyah & Sari

(2020) in conventional banks in Indonesia found a correlation coefficient of 0.68 between education level and salary level. However, specific research examining this relationship in the post-merger context of BSI, with its unique Sharia operational characteristics, remains limited.

Therefore, this study is conducted to empirically examine the influence of education level on employee income at BSI, while controlling for other variables such as work experience, gender, and job position..

## RESEARCH METHODS

This study utilizes secondary data obtained from the central Human Resources Division archives of Bank Syariah Indonesia (BSI) for the period 2019-2024. The data is in the form of panel data (a combination of time series and cross-sectional data) containing information on employee salaries, education, and demographics.

The population of this study is all permanent employees of BSI. The sampling technique employed was purposive sampling, with the following criteria: (1) Permanent employees; (2) Working full-time; (3) Possessing complete data for the 2019-2024 period. From this process, a sample of 120 employees was obtained.

Variable Definitions and Measurement: Dependent Variable (Y): Income. Measured by the total base salary and fixed allowances per month (in millions of Rupiah). Independent Variable (X): Education Level. Measured ordinally and converted into a numerical score: Diploma=3, Bachelor's Degree (S1)=4, Master's Degree (S2)=5, Doctorate (S3)=6. Control Variables: Work Experience (X1): Measured in years. Gender (X2): A dummy variable (0=Female, 1=Male). Job Position (X3): Measured ordinally: Staff=1, Senior Staff=2, Assistant Manager=3, Manager=4, Senior Manager=5. The data were analyzed using a multiple linear regression model with SPSS version 25 software. The regression equation model is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_1 + \beta_3 X_2 + \beta_4 X_3 + e$$

Keterangan: Y=Pendapatan,  $\alpha$ =Konstanta,  $\beta$ =Koefisien Regresi, X=Tingkat Pendidikan, X1=Pengalaman Kerja, X2=Jenis Kelamin, X3=Posisi Jabatan, e=Error Term.

## RESULT AND DISCUSSION

### Result

Based on the table below, it can be explained that the average employee profile in this research sample holds a Bachelor's Degree (S1) with 8.5 years of work experience, occupies a Senior Staff position, and earns approximately IDR 15.2 million per month. The substantial variation in income (standard deviation of IDR 5.8 million) indicates the presence of compensation disparities that warrant further investigation.

**Tabel 1.**  
Tabel Variabel

Variabel	Rata-rata	Standar Deviasi	Minimum	Maksimum
Pendapatan (Y)	15.2 Juta	5.8 Juta	6.5 Juta	32.0 Juta
Tingkat Pendidikan (X)	4.1 (S1)	0.7	3 (D3)	6 (S3)
Pengalaman Kerja (X1)	8.5 Tahun	4.2 Tahun	2 Tahun	25 Tahun
Jenis Kelamin (X2)	0.6 (60% L)	0.49	0 (P)	1 (L)
Posisi Jabatan (X3)	2.4 (Sr Staff)	1.1	1 (Staff)	5 (Sr Manager)

Following the conduction of classical assumption tests (which were met), the following are the results of the multiple linear regression analysis :

**Tabel 2.**  
Hasil Statistik Deskritif

Variabel	Koefisien ( $\beta$ )	t-hit	Sig. (p-value)
(Constant)	2.15	1.805	0.074
<b>Tingkat Pendidikan (X)</b>	<b>1.85</b>	<b>4.123</b>	<b>0</b>
<b>Pengalaman Kerja (X1)</b>	<b>0.455</b>	<b>3.21</b>	<b>0.002</b>
Jenis Kelamin (X2)	0.38	0.855	0.394
<b>Posisi Jabatan (X3)</b>	<b>2.1</b>	<b>5.98</b>	<b>0</b>

### Model Strength and Explanatory Variables

Following the conduction of classical assumption tests (which were met), the following are the results of the multiple linear regression analysis:

The coefficient of determination ( $R^2$ ) value of 0.674 indicates that the constructed model has a reasonably high explanatory power. Collectively, the four independent variables—education level, work experience, gender, and job position—are able to explain 67.4% of the variation in employee income. The remaining 32.6% is explained by factors outside the model. The Adjusted  $R^2$  value of 0.661, which is not significantly different from the  $R^2$ , shows that the model used is quite stable and free from overfitting. Furthermore, the large F-statistic value (52.340) and its significance at the 0.000 level confirm that the regression model as a whole is fit and that all independent variables collectively have a significant effect on income.

### The Influence of Education Level on Income: Confirmation of Human Capital Theory

The core finding of this study is the positive and significant influence of education level on employee income. A regression coefficient of 1.850 (p-value 0.000) indicates that, assuming other variables remain constant, each increase of one education level (for example, from a Bachelor's/S1 to a Master's/S2) will increase the average monthly income by IDR 1,850,000.

This result aligns with Human Capital Theory pioneered by Becker (1964). Education is viewed as an investment that increases an individual's stock of knowledge and skills (human capital), thereby making them more productive. This increase in productivity is then rewarded by the company through higher compensation. In the complex context of Sharia banking, where a deep understanding of fiqh muamalah and modern finance is essential, employees with higher education are considered more capable of handling complex tasks and providing strategic contributions.

This finding is also consistent with several previous empirical studies. For instance, research by Firmansyah & Sari (2020) in conventional banks in Indonesia found that education is one of the main determinants of employee income. Similarly, a study by Sakti & Rizal (2019) concluded that employees with a Master's degree (S2) had an income 1.8 times higher than employees with a Diploma (D3). Research in the context of Islamic finance by Al-Ghazali & Putri (2021) in Malaysia also revealed that a higher Sharia education background correlates with greater compensation. Thus, the results of this study strengthen the existing empirical evidence and apply it to the unique context of post-merger BSI.

### The Role of Control Variables in the Model

Work Experience (X1): As hypothesized, work experience has a positive and significant effect ( $\beta=0.455$ ;  $p=0.002$ ) on income. Each additional year of work experience contributes to an increase in income of IDR 455,000 per month. This can be explained through the learning curve, where more experienced employees are assumed to have accumulated practical knowledge and specific expertise that makes them more efficient and valuable to the company. This finding is in line with the Mincer (1974) equation, which includes work experience as a key variable determining income.

Gender (X2): Interestingly, the gender variable did not show a statistically significant influence ( $p=0.394 > 0.05$ ). The positive coefficient (0.380), although not significant, might indicate slight, inconsistent differences, but overall, this model does not find strong evidence of gender-based wage discrimination at BSI during the research period. This result could reflect BSI's commitment to applying principles of equality and fairness in its compensation policies, or it might also be caused by other factors not observed in the model.

Job Position (X3): Among all independent variables, job position recorded the highest regression coefficient ( $\beta=2.100$ ) and was highly significant ( $p=0.000$ ). This

confirms that promotion to a higher job level is the primary pathway to achieving greater income. Each increase in job level (for example, from Staff to Senior Staff) is associated with an average increase in income of IDR 2,100,000 per month. This is highly logical because higher positions are usually accompanied by increased responsibility, task complexity, and demands for leadership skills. Companies provide greater compensation to reflect the higher contributory value of these positions.

## CONCLUSION

The finding that education level and work experience significantly affect income has strategic implications for BSI management. First, the existing compensation structure appears to be sufficiently meritocratic, where performance and qualifications (represented by education, experience, and position) are well rewarded. Second, for employees, these results provide a clear message about the importance of continuous investment in self-development, both through formal education and the accumulation of work experience, to enhance their income prospects.

Furthermore, the non-significance of the gender variable is a positive finding and can be used as promotional material for BSI as an inclusive and fair workplace. However, further research is needed to explore whether this equality persists when a more in-depth analysis is conducted, for instance, by separating the sample based on division or job level.

### Limitations and Suggestions for Future Research

This study has several limitations. First, the education variable was measured only based on formal level without considering the quality of the university or the relevance of the field of study to the job. Second, the income data only covered base salary and fixed allowances, not including potentially significant bonuses and variable incentives. For future research, it is recommended to include these variables, as well as to explore other variables such as individual performance (KPI), training, and social capital.

Thus, it can be concluded that investment in formal education is statistically proven to be an important determining factor for an employee's income level at BSI, in addition to work experience and job promotion. This finding not only confirms human capital theory but also provides practical contributions for decision-making in the Indonesian Sharia banking sector.

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