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The Role of Human Capital in Strengthening Horticultural Agribusiness Institutions: Evidence from Structural Equation Modeling

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Abstract:

Farmers' engagement in agribusiness institutional activities has largely been confined to production activities, and has not been fully optimized. Similarly, the role of agricultural extension workers in providing institutional assistance has been narrowly scoped, mostly limited to government-initiated programs focusing on infrastructure development and production enhancement. Human capital, a vital factor for agribusiness development, has been largely overlooked. This study, therefore, seeks to investigate the influence of human capital components on the strengthening of horticultural agribusiness institutions, with farmer participation and coordination between farmer institutions as mediating factors. The research was conducted in the Uluere Sub-district, Bantaeng District, South Sulawesi Province, Indonesia, a region known for horticultural agribusiness development. Data from 120 randomly selected respondents were analyzed using Structural Equation Modelling (SEM) to accomplish the research objective. The findings revealed that leadership, a component of human capital, has a direct, positive, and statistically significant influence on institutional strengthening. However, participation does not serve as a mediator between human capital components and the strengthening of horticultural agribusiness institutions. The variable of coordination function partially mediates between leadership and institutional strengthening, while the effectiveness of teamwork fully mediates the impact on institutional strengthening.