

# *Human Capital, Social Capital And The Role Of Government In Ground Coffee Msmes In Tanah Datar Regency*

Muhammad Farrel Syabena<sup>1\*</sup>, Yonariza<sup>2</sup> and Nofialdi<sup>3</sup>

<sup>1,2,3</sup> Faculty of Agriculture, Master of Agricultural Economics Study Program

Andalas University Indonesia

Email : Farrelsyabena16@gmail.com



**Abstract** – This research aims to describe the conditions of human capital, social capital, and the role of the government in ground coffee small and medium enterprises (SMEs) in Tanah Datar Regency. The research methodology employed a survey approach, using cross-sectional data collected from 104 respondents through questionnaires and interviews. The research variables included human capital, social capital, and government role. Qualitative analysis was used for this purpose. The study found that ground coffee processors in Tanah Datar Regency possessed good human capital, supported by effective training participation and substantial knowledge. Social capital was also relatively high among coffee processors due to strong relationships and norms within the community. However the role of the government in supporting the performance of ground coffee businesses was perceived to be low, both as a regulator, facilitator, and catalyst.

**Keywords** – Agroindustry, Ground Coffee, Flat Land.

## I. INTRODUCTION

Coffee is one of Indonesia's prominent export commodities in the plantation sector. It plays a crucial role as a source of employment, foreign exchange, income generation for farmers, and other economic stakeholders related to the coffee industry [1].

Agroindustry is an essential subsector within agribusiness, contributing to national production and having a significant market share, thus promoting economic growth [2]. If agriculture plays a primary role in industrial activities, it leads to economic growth, particularly in small and medium-sized agroindustries, making it a forefront sector in national economic development [3]. Ground coffee, as a leading sector in agroindustry, is expected to absorb agricultural yields, add value, and enhance production efficiency.

Human capital refers to the collection of knowledge, talents, skills, abilities, experiences, intelligence, training, assessment, and wisdom within a population [4]. Human capital involves knowledge, expertise, abilities, and skills that make individuals or employees valuable assets to a company [5]. Human capital plays a vital role in decision-making concerning market strategy and focus, forming the foundation for sustainable development and competitive societies.

Social capital is defined as relationships and norms shaping the quality and quantity of social interactions within a society, serving as a social glue that maintains group cohesion [6]. It includes organizational aspects such as trust, norms, and networks. Social capital can improve societal efficiency by facilitating coordination and collaboration for mutual benefit [7]. In improving organizational performance, social capital is essential. Network ties, trust, and shared vision among network members have been found to influence small companies' performance by providing resources, information, knowledge, and skill development.

Empowering SMEs is a government strategy to reduce unemployment, alleviate poverty, and achieve income equality. SME development drives economic growth and development. Government, financial institutions, and entrepreneurs play a vital role in empowering SMEs. Human capital and social capital are factors influencing organizational performance, including SMEs. Both these forms of capital significantly impact business performance. Additionally, government involvement is pivotal [8].

Tanah Datar Regency has the highest number of ground coffee processing SMEs in West Sumatra, with 213 SMEs accounting for 48% of total ground coffee processing SMEs in the province. This presents an opportunity for coffee agribusiness development, where quality coffee production will supply high-quality raw materials for coffee processing industries [9].

Despite the increasing number of ground coffee processing SMEs in Tanah Datar Regency, the quality of these SMEs has not improved proportionally. Challenges include low human resources quality due to inadequate workforce skills stemming from low education levels and limited management knowledge, leading to suboptimal management performance. Furthermore, the regional government's role in developing human resources remains insufficient, and existing training to enhance capacity and performance of coffee processors is inadequate. Insufficient business networks also hinder effective product marketing.

Based on these circumstances, this study aimed to assess the conditions of human capital, social capital, and the government's role in ground coffee SMEs in Tanah Datar Regency.

## II. RESEARCH METHODS

This research was conducted in Tanah Datar Regency, West Sumatra Province, namely in Sungai Tarab District, X Koto District and Lima Kaum District. The method used in this study is the survey approach method. Determination of the number of samples using the Slovin formula [9]. With the following formula:

$$n = \frac{N}{1 + N(e)^2}$$

(N: sample size, N: population size, e: error tolerance limit or error proposed in percentage form, for this study 7 percent was used).

The total study population is 213, so using the Slovin formula can be obtained a sample of 104. The type of data used in this study is *cross section* data, where the data observed are data on human capital, social capital and the role of the government in ground coffee MSMEs obtained from the distribution of questionnaires and in-depth interviews. Aanalysis used for this purpose is qualitative analysis. The data needed in the first objective will be obtained by distributing questionnaires and interviews to each respondent regarding the picture of human capital, social capital and the role of the government in Ground Coffee MSMEs in Tanah Datar Regency. The variables and operational definitions used in the study are presented in Table 1.

Table 1. Operational Variables and Definitions

No	Variable	Indicators	Operational Definition	Categories Based on <i>Point Cutt-off</i> Value
1	Human Capital	Training	This component is aimed at improving skills as long as MSME owners are in a company.	a. P > 3 (Training is good) b. P = 3 (Training is sufficient) c. P < 3 (no training)
		Formal Education	educational component taken by MSME owners Ground Coffee.	a. Formal Education > 3 (Good formal education) b. Formal Education = 3 (Formal education is sufficient) c. Formal Education < 3 (no formal education)

No	Variable	Indicators	Operational Definition	Categories Based on <i>Point Cutt-off</i> Value
		Other Knowledge	information components known to MSME owners Ground Coffee.	a.PL > 3 (Other knowledgeable good) b.PL = 3 (Other knowledgeable enough) c.PL < 3 (none other Knowledgeable)
2	Social Capital	Network	The component attaches attention to the properties of the social system and the network of relations as a whole.	a. > 3 network (High network) b. Network = 3 (Network enough) c. < 3 network (Low network)
		Belief	The component describes the type of personnel relationship the person developed with others through past interactions.	a. Trust > 3 (High trust) b. Trust = 3 (Trust enough) c. Trust < 3 (Low trust)
		Norm	components of resources that contribute and represent, interpret and understand the system among interested parties.	a. Norm > 3 (High norm) b. Norm = 3 (Sufficient norm) c. Norm < 3 (Low norm)
3	The Role of Government	Regulator	To balance the implementation of development through the issuance of regulations as regulators.	a. Regulator > 2 (High regulator) b.Regulator = 2 (Regulator sufficient) c. Regulator < 2 (Low regulator)
		Catalyst	Acting as an agent in the acceleration of potential regional improvements that will become a social form in participatory development.	a. Catalyst > 2 (High catalyst) b.Catalyst = 2 (Catalyst sufficient) c. Catalyst < 2 (Low catalyst)
		Facilitator	Creating conducive conditions for the implementation of development to bridge the various interests of MSME owners Ground Coffee	a facilitator >2 (High facilitator) b. Facilitator = 2 (Facilitator enough) c. Facilitator < 2 (Low facilitator)

### III. RESULTS AND DISCUSSION

#### 3.1 Human Capital

Human capital in the ground coffee processing business in Tanah Datar Regency is shown from 3 indicators, namely training, formal education, and other knowledge. Most ground coffee processors have attended training related to ground coffee processing both from the local government and from other institutions. The training was obtained from the local government in the form of training from coffee processing, training in packaging, training in business license management and there was training in marketing techniques and training in labeling on packaging.

For formal education, ground coffee processing is a hereditary business from ancestors so that formal education is not a necessity owned by someone who processes ground coffee. With this long training and experience, ground coffee processors can develop well. For other knowledge possessed by ground coffee processors is also very good for improving the ability to run a ground coffee processing business. The measurement of human capital of the coffee processing business can be seen in Figure 1.

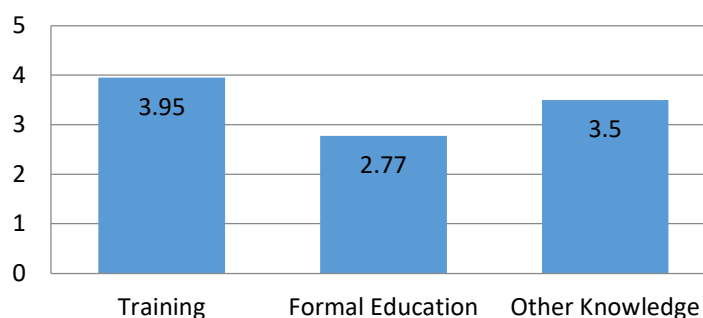


Figure 1. Human Capital of Ground Coffee Processing Business

Based on the chart above, the average human capital in the ground coffee processing business as a whole is 3.50. With this value greater than the *cut-off-point* value of 3 ( $3.50 > 3$ ), so it can be concluded that the ground coffee processing business has good human capital.

#### 3.2 Social Capital

Social capital in the ground coffee processing business is shown from 3 indicators, namely networks, trust and norms. The network carried out by ground coffee processors is to establish partnerships in the form of purchasing raw materials for coffee beans with suppliers, both suppliers from their own regions or called *toke*, namely *toke* within their own regions or from suppliers outside the region.

In addition, among ground coffee processors have a very close kinship until there are between ground coffee processors brothers or in one family. So that by having a relationship that is still in one family and close kinship, it facilitates and interacts directly in exchanging information related to performance in ground coffee processing. With this close relationship, ground coffee processors have high trust in each other.

For norms Norms in ground coffee processing businesses are shared values that are adhered to, namely cultural and social values that have been running since long ago, such as manners, manners, sympathy and mutual assistance. This shared value is closely related to one of the prevailing norms in running a ground coffee processing business, namely the obligation to help and remind each other among ground coffee processors. There are norms, sanctions and other rules agreed and obeyed by the ground coffee processors. The measurement of the social capital of the coffee processing business can be seen in Figure 2.

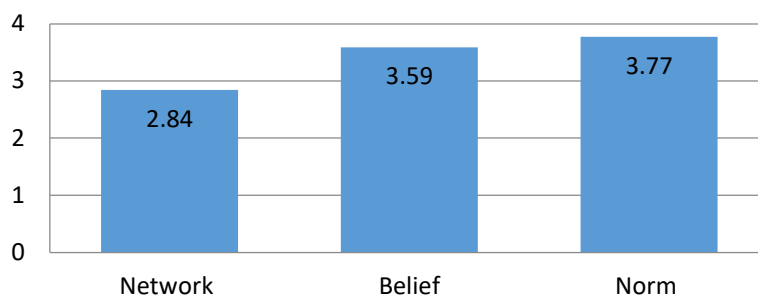


Figure 2. Social Capital of Ground Coffee Processing Business

The average value of social capital in the whole ground coffee processing business is 3.4. With this value greater than the *cut-off-point* value of 3 ( $3.4 > 3$ ), so it can be concluded that the ground coffee processing business has high social capital.

### 3.3 Role of Government

The role of the government in the ground coffee processing business is shown from 3 indicators, namely regulators, facilitators, and catalysts. The regulations that have been prepared by the local government through the local government in the ground coffee processing business include: 1) facilitating and conducting guidance in the form of P-IRT legality so that it is eligible for circulation. 2) facilitate in the form of licenses and administration in applying for capital assistance. 3) facilitate in the form of IPR or trademarks. 4) provide training in marketing techniques. Measurement of the role of the government in coffee processing businesses can be seen in Figure 3.

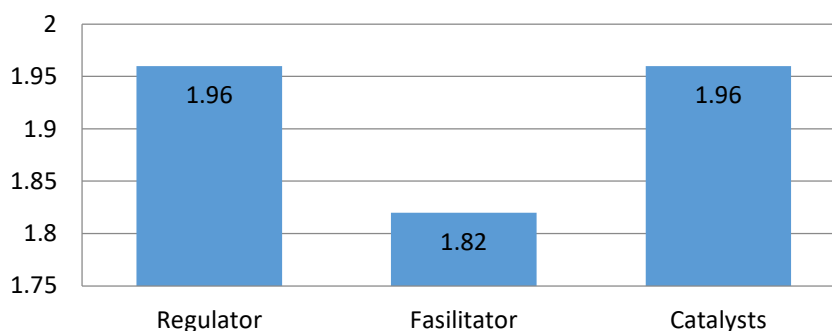


Figure 3. The Role of the Government in the Ground Coffee Processing Business

The average value of the government's role in the ground coffee processing business as a whole is 1.91. With this value smaller than the *cut-off-point* value of 2 ( $1.91 < 2$ ), so it can be concluded that the role of the government is still low.

## IV. DISCUSSION

The human capital possessed by coffee powder processors in Tanah Datar Regency is good, as indicated by two indicators: training and other knowledge. The findings of this research align with a study titled "Strategies for Improving the Performance of Small and Medium Agro Businesses in Kota Bogor," where the descriptive analysis results suggest that the indicator of other knowledge is a priority in shaping human capital in the performance of Agro SMEs in Kota Bogor [11]. Additionally, this study is in line with research related to the influence of human capital on market orientation and SME performance, concluding that the human capital variable is influenced by experience and knowledge about both production and marketing [12]. This is consistent with the statement [13] that human capital such as education, experience, and competency can enhance SME performance.

The social capital possessed by coffee powder business operators in Tanah Datar Regency is high, as indicated by three indicators: networks, trust, and norms. The results of this research are consistent with the title "The Influence of Human and Social Capital on the Performance of Small and Medium Businesses (SMEs) in the Food and Beverage Sector in Kota Bogor," which states in the descriptive analysis that employees consider the relational or trust dimension to be the most agreed upon

dimension in forming social capital [14]. Furthermore, this research is also in line with studies that state that social capital through networks, social interactions, and good relationship quality will enhance the performance of a business [13]. However, the government's role in the coffee powder processing business in Tanah Datar Regency is still low, as indicated by three indicators: regulation, facilitation, and catalysis, but there is a positive influence on SME performance. The results of this research align with studies that state that there is a positive influence of the government's role on SME performance [15]. Therefore, it can be concluded that if the government's role increases, the performance of SMEs will also increase, and conversely, if the government's role decreases, the performance of SMEs will also decline.

## V. CONCLUSION

The ground coffee processing business has good human capital. This is supported by the training which is followed very well and other knowledge possessed by ground coffee processors is also good. For social capital owned is also relatively high by ground coffee processors because it has high trust and norms by ground coffee processors. The role of the government in the performance of the ground coffee business is still low felt by ground coffee processors, both the government's role as a regulator, facilitator and role as a catalyst.

## REFERENCE

- [1] Direktorat Jenderal Perkebunan. 2012. Statistik Perkebunan Indonesia 2011 – 2013 : Teh. Ditjenbun, Jakarta.
- [2] Khoiriyah, N. R., Ariyani, A. H. ., & Fauziyah, E. (2012). Strategi Pengembangan Agroindustri Kerupuk Terasi. *Jurnal Agriekonomika*, 1(2), 135–148. <https://doi.org/http://dx.doi.org/10.21107/agriekonomika.v1i2.357>
- [3] Anggraeni, Pratiwi, dkk. (2017). Analisis SWOT Pada UMKM Keripik Tempe Amel Malang Dalam Rangka Meningkatkan Daya Saing Perusahaan. *Jurnal Administrasi Bisnis (JAB)*, vol. 43 No.1 Februari.
- [4] Suwondo, Chandra dan Frans Assa, Adrie. 2018. *Human Capital Management: Strategi dan Implementasi*. Bogor: Halaman Moeka Publishing
- [5] Gaol L, Jimmy. 2014. *A to Z Human Capital : Manajemen Sumber Daya Manusia*. PT. Grasindo : Jakarta
- [6] Cendani, c. (2015). Pengaruh employee engagement dan modal sosial terhadap kinerja karyawan dengan ocb (organizational citizenship behaviour ) sebagai mediasi ( studi pada bank jateng kantor pusat ). 30(2), 149–160.
- [7] Field, Jhon, 2010. *Modal Sosial, Kreasi Wacana: Bantul*
- [8] Felicio, J. Augusto., Couto, Eduardo., Caiado, Jorge. 2014. Human capital, social capital and organizational performance. *Management Decision* Vol. 52 No. 2, pp. 350-364.
- [9] Dinas Perindustrian dan Perdagangan Provinsi Sumatera Barat, 2019.
- [10] Sugiyono. 2015. *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung : ALFABETA
- [11] Rakasiwi, Galih. 2014. Pengaruh Motivasi, Kepuasan Kerja, Dan Disiplin Kerja Terhadap Kinerja Pegawai (Studi Empiris Pada Satuan Polisi Pamong Praja Kabupaten Karanganyar). <http://eprints.ums.ac.id/30339/18/.pdf>. July 2019.
- [12] Ina Syarifah, M. Kholid M, dan Mohammad Iqbal. 2020. Pengaruh Modal Manusia Terhadap Orientasi Pasar dan Kinerja UMKM. *Jurnal Ekonomi dan Bisnis*. Vol 23 No 1.
- [13] Fatoki, O. O. (2011). The Impact of Human, Social and Financial Capital on the Performance of Small and Medium-Sized Enterprises (SMEs) in South Africa. *Journal of Social Sciences*, 29(3), 193–204. <https://doi.org/10.1080/09718923.2011.11892970>
- [14] Khoirrin, L., & Kartika, L. (2014). Pengaruh Modal Insani dan Modal Sosial terhadap Kinerja (Studi Kasus Usaha Kecil dan Menengah (UKM) Makanan dan Minuman Kota Bogor). *Jurnal Manajemen dan Organisasi* .
- [15] S. R. Desmar dan I. R. Setyawan. 2022. Pengaruh Peran Pemerintah, Modal dan Kompetensi Wirausaha Terhadap Kinerja UMKM (Studi Kasus Pada UMKM Kota Bekasi). *Journal Utara*.