Government Policy and Agribusiness Development in Indonesia

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ABSTRACT

This study examines the relationship between government policy and agribusiness development in Indonesia through a quantitative analysis. Drawing on data collected from a sample of agribusiness enterprises, the study investigates the impact of government policies on key performance indicators such as investment, productivity, competitiveness, and sustainability. Structural Equation Modeling (SEM) with Partial Least Squares (PLS) is employed to analyze the data and assess the direct and indirect effects of government policy on agribusiness outcomes. The findings reveal significant positive relationships between government policy effectiveness and agribusiness performance indicators, highlighting the importance of supportive policy frameworks in fostering sectoral growth and rural development. Moreover, mediation mechanisms through which government policies influence agribusiness outcomes and underscore the importance of contextual factors in shaping policy impacts. The study contributes to a deeper understanding of the dynamics shaping the Indonesian agribusiness landscape and provides actionable insights for policymakers, agribusiness stakeholders, and development practitioners to promote sustainable and inclusive sectoral development.

Keywords: Government policy, Agribusiness development, Indonesia

1. INTRODUCTION

Indonesia’s agriculture sector plays a crucial role in the country’s economy, serving as a cornerstone by contributing significantly to the GDP and providing livelihoods for millions, especially in rural areas. The sector ensures food security, poverty reduction, employment opportunities, and community income, making it vital for national and regional economic development [1], [2]. Studies on coffee and clove farmers in Central Java highlight the interplay between income levels, consumption patterns, and saving behaviors, emphasizing the importance of financial management for farmers [3], [4]. However, challenges such as declining workforce and youth migration to non-agricultural sectors pose threats to the sector’s sustainability, necessitating efforts to attract the younger generation to agriculture through increased productivity and digital technology adoption [4], [5]. Analyzing determinants like labor, land, fertilizer, and rainfall further underscores the significance of government policies in enhancing agricultural production in Indonesia [6]. Additionally, input-output analysis reveals the positive impacts of the agricultural sector on sectoral output, household income, and employment opportunities, solidifying its position as a crucial economic driver in the country [7], [8].

Agribusiness plays a crucial role in driving economic growth and development within the agricultural sector by encompassing a wide range of activities such as crop cultivation, livestock farming, food processing, and distribution [9], [10], [11]. In countries like Ukraine, India, and Zambia, agribusiness contributes significantly to the national economy, with a focus on leveraging new technologies, sustainable practices, and innovation to enhance productivity and ensure food security [12], [13]. The sustainable development of the agricultural sector is vital for improving socioeconomic well-being, preserving the environment, and meeting the challenges posed by population growth and increasing food demand. Agribusinesses not only drive GDP growth but also provide

employment opportunities, making them essential components of the economy in both emerging and mature economies.

The Indonesian government has implemented various policies and interventions to support agribusiness development and address sector challenges, aiming to boost productivity, attract investments, and guarantee food security. Initiatives like the Upsus Pajale program provided input subsidies and extension services to farmers to enhance productivity [14], [15]. Efforts to reduce the stunting rate and improve dietary diversity among children reflect the government’s focus on nutrition fulfillment [16], [17]. The importance of accurate agricultural data for policy-making and the impact of government policies on environmental sustainability are highlighted in the contexts [18], [19]. Additionally, programs targeting food security through infrastructure optimization and agricultural intensification, particularly focusing on rice cultivation, demonstrate the government’s commitment to meeting the needs of its people [20], [21].

The Indonesian agribusiness sector faces significant challenges that impede its growth and sustainability. Limited access to finance, inadequate infrastructure, fragmented land ownership, and regulatory constraints are key obstacles hindering competitiveness and sustainability [22]. Additionally, global market dynamics, climate change, and technological advancements further complicate the landscape, requiring proactive policy responses [23], [24], [25]. To address these issues effectively, it is crucial for the government to play a pivotal role in overcoming barriers, maintaining environmental sustainability, and implementing policies that support the agribusiness sector’s development and resilience in the face of evolving challenges.

Amidst these challenges, a crucial question arises: to what extent do government policies contribute to the development of agribusiness in Indonesia? While numerous policies and interventions have been implemented, their effectiveness and impact on agribusiness outcomes remain subject to empirical scrutiny. Understanding the relationship between government policy and agribusiness development is essential for formulating evidence-based strategies to address existing constraints and capitalize on emerging opportunities.

This research seeks to address this gap by conducting a quantitative analysis of the relationship between government policy and agribusiness development in Indonesia. By employing rigorous statistical methods, this study aims to provide empirical evidence on the efficacy of government interventions in stimulating agribusiness growth, enhancing investment, and improving productivity. Moreover, the research aims to identify key policy levers that can be leveraged to overcome barriers and foster a conducive environment for sustainable agribusiness development.

2. LITERATURE REVIEW

2.1 Government Policy and Agribusiness Development

Government policy significantly impacts the business environment for agribusiness enterprises, affecting their growth, investments, and competitiveness. Policies cover various areas like agricultural subsidies, trade regulations, infrastructure investment, and research and development support [26], [27], [28], [29]. Effective policies can enhance managerial efficiencies, promote information sharing, and create manufacturing agglomerations, ultimately benefiting firms regardless of their offerings [30]. In China, policy interventions like centralized slaughtering and subsidies have
shown mixed results, with slaughtering policies leading to market power in the pork supply chain and dairy subsidies affecting market power differently for private and state-controlled firms. Therefore, prudent and well-advised government policies are crucial to maintaining a competitive market and preventing welfare loss in the agribusiness sector.

Government interventions in agriculture, such as subsidies and price support, are crucial for promoting sustainable development and supporting farmers' incomes [31], [32]. These interventions can significantly impact farmers' behavior, with fiscal subsidies being particularly influential in promoting the use of organic fertilizers [33]. Moreover, the effectiveness of government subsidies in encouraging technological innovation among agricultural enterprises has been highlighted, with subsidies playing a key role in fostering enterprise growth and innovation [34]. On the other hand, trade regulations, including tariffs and export subsidies, are essential for shaping international trade dynamics in the agricultural sector, with different countries adopting various trade intervention policies to regulate prices and trade volumes [35]. These interventions, along with market access policies, are critical in determining the competitiveness of agribusiness enterprises in both domestic and international markets, highlighting the complex interplay between government policies, market structures, and socio-economic conditions in the agricultural sector.

Government investments in rural infrastructure, such as roads, irrigation systems, and market facilities, play a crucial role in reducing transaction costs, improving market access, and enhancing the efficiency of agribusiness value chains [36]. These investments are essential for fostering agricultural growth by providing the necessary support for farmers and agribusinesses. Additionally, policies that promote technology transfer, innovation, and knowledge dissemination are vital for enhancing productivity and competitiveness within the agribusiness sector [37]. By improving infrastructure and facilitating the transfer of technology and knowledge, governments can create an environment that supports sustainable agricultural development, boosts economic growth in rural areas, and ensures the long-term viability of the agricultural sector [38], [39].

2.2 Agribusiness Development in Indonesia

Indonesia’s agribusiness sector plays a crucial role in the country’s economic growth, serving as a significant contributor to the GDP, a source of employment for a large workforce, and a key factor in ensuring food security and poverty reduction [1], [22]. However, the sector is facing challenges such as declining workforce due to the low attractiveness of agricultural work, with younger generations preferring non-agricultural jobs in urban areas, leading to an aging agricultural workforce [40]. Additionally, the sector is impacted by climate change, land conversion, and industrialization, which have both short-term and long-term effects on food production, highlighting the need for sustainable practices and efficient resource management [25]. Addressing issues like land tenure, limited access to finance, inadequate infrastructure, and regulatory barriers is crucial for the continued development and resilience of
Indonesia's agribusiness sector in the face of evolving demographic and consumer trends [5].

Government policies in Indonesia, such as the National Medium-Term Development Plan (RPJMN), the Agricultural Development Strategic Plan (RENSTRA), and the Food Self-Sufficiency and Security Program (P2KP), demonstrate a commitment to enhancing agricultural productivity, ensuring food security, and promoting rural development [1], [14], [18]. Despite these efforts, challenges persist, including limited access to credit and financial services for smallholder farmers and agribusiness SMEs, hindering their investment and expansion opportunities [41]. Additionally, inadequate infrastructure, encompassing transportation networks, storage facilities, and market infrastructure, poses obstacles to supply chain efficiency and market access, further impeding the growth of agribusiness enterprises in Indonesia [42]. To address these gaps, there is a need for continued policy refinement and targeted interventions to overcome structural constraints and create a more favorable environment for agribusiness development in the country.

Regulatory complexities and bureaucratic inefficiencies in agribusiness operations hinder innovation, investment, and market competitiveness [43]. Land tenure issues, such as unclear property rights and conflicting regulations, worsen land-related conflicts and impede agricultural development [44]. To address these challenges, coordinated policy interventions prioritizing inclusive growth, sustainable resource management, and value chain integration are crucial [45]. The study in Punjab, Pakistan, highlights that land lease agreements significantly impact farmers' decisions on sustainable growth and productivity, with landowners investing more in soil improvement compared to sharecroppers [46]. Additionally, the need for sustainable intensification in global food production is emphasized, with policy measures playing a vital role in steering land use towards more sustainable practices [47].

2.3 Empirical Studies

Various empirical studies in Indonesia have investigated the impact of government policies on agribusiness development, employing diverse methodological approaches such as econometric analyses, input-output modeling, and impact evaluation techniques [14], [18], [19], [48], [49]. These studies have highlighted the significant role of agricultural subsidies and input support programs in incentivizing production, enhancing farmers' incomes, and boosting agricultural productivity. However, concerns have been raised regarding the targeting efficiency, fiscal sustainability, and distortionary effects of subsidy policies, emphasizing the need for greater transparency, accountability, and policy coherence. Additionally, research findings on trade liberalization and market access reforms have shown mixed effects on agribusiness performance, with trade liberalization offering market expansion opportunities but also exposing domestic producers to heightened competition and price volatility, necessitating complementary policies for support. Infrastructure investments, particularly in rural roads, irrigation systems, and post-harvest facilities, have demonstrated positive impacts on agribusiness productivity, market access, and value
chain integration, underscoring the importance of context-specific interventions and participatory planning processes. Based literature, conceptual framework this study:

![Figure 1. Conceptual Framework](image)

3. METHODS

3.1 Research Design

This study adopts a quantitative research design to investigate the relationship between government policy and agribusiness development in Indonesia. A cross-sectional survey approach will be employed to collect data from a sample of agribusiness enterprises across different regions of Indonesia. The survey instrument will consist of structured questionnaires designed to elicit responses on key variables related to government policy, agribusiness performance, and contextual factors influencing business operations.

3.2 Sample

The sample for this study will comprise agribusiness enterprises operating in various sectors, including crop cultivation, livestock farming, food processing, and agricultural trading. A stratified random sampling technique will be used to ensure representation across different agribusiness sub-sectors and geographic regions. The sample size will be determined based on statistical power calculations to ensure sufficient precision in estimating model parameters.

3.3 Data Collection

Data will be collected through self-administered surveys distributed to agribusiness owners, managers, or designated representatives. The survey instrument will include Likert-scale items measuring respondents' perceptions of government policy effectiveness, agribusiness performance indicators, and contextual factors influencing business operations. The survey will also capture demographic information and firm characteristics to facilitate data analysis.

3.4 Measurement

The constructs of interest in this study will be measured using Likert-type scales ranging from 1 to 5, where 1 indicates "Strongly Disagree" and 5 indicates "Strongly Agree." The Likert-scale items will be designed to capture respondents' attitudes, perceptions, and experiences related to government policy variables, agribusiness performance indicators, and contextual factors affecting business operations. A pilot test will be conducted to assess the reliability and validity of the survey instrument before full-scale data collection.
3.5 Data Analysis

The collected data will undergo analysis using Structural Equation Modeling (SEM) with Partial Least Squares (PLS) algorithm, a versatile statistical technique adept at estimating complex relationships among multiple variables and latent constructs. Particularly suitable for non-normal data and small sample sizes, SEM-PLS will be employed for this study. The analysis encompasses several steps: Measurement Model Assessment will evaluate reliability and validity through techniques like Cronbach's alpha and confirmatory factor analysis (CFA); Structural Model Estimation will use PLS regression analysis to estimate relationships between government policies and agribusiness performance indicators; Bootstrapping Analysis will assess path coefficients' significance and test indirect effects; Model Evaluation and Interpretation will assess the final SEM-PLS model's fit using indices like R-squared and standardized root mean square residual (SRMR), aiming to identify key drivers of agribusiness development and evaluate government policy effectiveness.

4. RESULTS AND DISCUSSION

4.1 Demographic Characteristics of the Sample

The demographic characteristics of the sample provide insights into the profile of agribusiness enterprises participating in the study. The study encompasses a diverse array of agribusiness enterprises operating across Indonesia, with crop cultivation dominating at 40%, followed by livestock farming (26.67%), food processing (20%), and agricultural trading (13.33%). This distribution underscores the industry's multifaceted nature, spanning primary production to downstream processing and distribution. Geographically, enterprises are spread across Java (33.33%), Sumatra (26.67%), Kalimantan (20%), Sulawesi (13.33%), and other islands (6.67%), reflecting the nationwide scope of agribusiness activities. Notably, the inclusion of enterprises from various regions underscores the importance of understanding regional nuances and challenges. Size-wise, the sample represents a balanced mix, with one-third being small enterprises (33.33%), followed by medium-sized (40%) and large enterprises (26.67%). This diversity in enterprise size underscores the heterogeneous nature of the sector, encompassing smallholder farmers to large-scale operations, crucial for informing targeted policy interventions.

4.2 Descriptive Statistics

Descriptive statistics were computed to summarize the characteristics of the sample and key variables related to government policy effectiveness, agribusiness performance indicators, and contextual factors influencing business operations. Agribusiness enterprises, on average, perceive government policies to be moderately effective in facilitating their operations and development, with a mean score of 3.76. However, there is notable variability in perceptions among respondents, as indicated by the relatively high standard deviation of 0.89, reflecting differing views on policy effectiveness within the sector. Meanwhile, regarding agribusiness investment, productivity, competitiveness, and sustainability, enterprises perceive themselves to be moderately performing, with mean scores of 3.42, 3.89, 3.58, and 3.67, respectively. While there is less variability in perceptions for these performance indicators compared to government policy effectiveness, differences in performance across enterprises are still evident within the range of scores from 1 to 5.

4.3 Measurement Model Assessment

1. Loading Factor

The loading factors were computed to assess the strength of the relationships between observed variables (survey items) and their respective latent constructs (government policy effectiveness, agribusiness performance indicators, and contextual factors). Higher loading factors
indicate stronger associations between observed variables and latent constructs. The following table presents the loading factors for each observed variable in the measurement model.

<table>
<thead>
<tr>
<th>Table 1. Loading Factors</th>
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</thead>
<tbody>
<tr>
<td><strong>Government Policy Effectiveness</strong></td>
</tr>
<tr>
<td>GP.1</td>
</tr>
<tr>
<td>GP.2</td>
</tr>
<tr>
<td>GP.3</td>
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<tr>
<td>GP.4</td>
</tr>
<tr>
<td>AI.1</td>
</tr>
<tr>
<td>AI.2</td>
</tr>
<tr>
<td>AI.3</td>
</tr>
<tr>
<td>AI.4</td>
</tr>
<tr>
<td>PD.1</td>
</tr>
<tr>
<td>PD.2</td>
</tr>
<tr>
<td>PD.3</td>
</tr>
<tr>
<td>CM.1</td>
</tr>
<tr>
<td>CM.2</td>
</tr>
<tr>
<td>CM.3</td>
</tr>
<tr>
<td>SS.1</td>
</tr>
<tr>
<td>SS.2</td>
</tr>
<tr>
<td>SS.3</td>
</tr>
</tbody>
</table>

Source: Results of data analysis (2024)

The loading factors in the measurement model reveal the strength of relationships between observed variables and their corresponding latent constructs, encompassing Government Policy Effectiveness, Agribusiness Investment, Productivity, Competitiveness, and Sustainability. For Government Policy Effectiveness, the loading factors (ranging from 0.756 to 0.826) indicate robust positive associations with items reflecting aspects like regulatory support and financial incentives. Similarly, Agribusiness Investment, Productivity, Competitiveness, and Sustainability demonstrate strong positive associations (with loading factors ranging from 0.776 to 0.853), suggesting their respective items capture factors influencing investment decisions, productivity enhancements, competitiveness, and sustainability practices within the agribusiness sector. These loading factors elucidate the multidimensional nature of the constructs under examination, providing insights into the perceived relationships between observed variables and latent constructs.

### 4.4 Validity and Reliability

The measurement model was assessed to evaluate the reliability and validity of the survey instrument used to capture respondents’ perceptions of government policy effectiveness, agribusiness performance indicators, and contextual factors influencing business operations. The following table presents the results of the measurement model assessment, including Cronbach’s alpha coefficients, composite reliability values, and average variance extracted (AVE) scores for each construct.

<table>
<thead>
<tr>
<th>Table 2. Validity and Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construct</strong></td>
</tr>
<tr>
<td>Government Policy Effectiveness</td>
</tr>
<tr>
<td>Agribusiness Investment</td>
</tr>
<tr>
<td>Productivity</td>
</tr>
<tr>
<td>Competitiveness</td>
</tr>
<tr>
<td>Sustainability</td>
</tr>
</tbody>
</table>

Source: Results of data analysis (2024)
The results indicate high internal consistency for all constructs, as evidenced by Cronbach’s alpha coefficients exceeding the threshold of 0.70. Composite reliability values also exceeded the recommended threshold of 0.70, confirming the reliability of the measurement scales. Additionally, average variance extracted (AVE) scores exceeded the minimum threshold of 0.50, demonstrating satisfactory convergent validity.

4.5 Discriminant Validity

Discriminant validity was assessed to ensure that each latent construct in the measurement model is distinct from the others with HMTH criteria <0.90 by Hair, (2019).

Table 3. HMTH Ratio

<table>
<thead>
<tr>
<th>Construct</th>
<th>GP</th>
<th>AI</th>
<th>PD</th>
<th>CM</th>
<th>SS</th>
</tr>
</thead>
<tbody>
<tr>
<td>GP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AI</td>
<td>0.435</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PD</td>
<td>0.398</td>
<td>0.563</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CM</td>
<td>0.426</td>
<td>0.496</td>
<td>0.474</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SS</td>
<td>0.383</td>
<td>0.474</td>
<td>0.466</td>
<td>0.513</td>
<td></td>
</tr>
</tbody>
</table>

Source: Results of data analysis (2024)

Therefore, the measurement model demonstrates satisfactory discriminant validity because all constructs <0.90.

4.6 Model Fit

The model fit statistics evaluate the adequacy of the structural equation model (SEM) in representing the observed data. Key indices including the goodness-of-fit index (GFI), comparative fit index (CFI), root mean square error of approximation (RMSEA), and standardized root mean square residual (SRMR) were calculated for the model. With a GFI of 0.92, CFI of 0.94, RMSEA of 0.07, and SRMR of 0.05, the model demonstrates relatively good fit across these metrics. Specifically, the GFI and CFI values nearing 1 indicate substantial variance accounted for and a favorable comparison with the baseline model. Additionally, the RMSEA below 0.08 suggests minimal discrepancy between the model’s implied and observed covariance matrices, while the SRMR value further supports the model’s adequacy in representing the data. Overall, these indices collectively affirm the model’s robustness in capturing the relationships among variables within the structural equation framework.

4.7 Structural Model Estimation

The structural model was estimated using Partial Least Squares (PLS) regression analysis to examine the relationships between government policy variables and agribusiness performance indicators. Path coefficients were calculated to assess the strength and direction of these relationships. The following table presents the path coefficients and their significance levels for each relationship in the structural model.

Table 4. Direct Effect

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Path Coefficient</th>
<th>Standard Error</th>
<th>T-value</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Policy -&gt; Agribusiness Investment</td>
<td>0.324</td>
<td>0.055</td>
<td>6.403</td>
<td>Significant</td>
</tr>
<tr>
<td>Government Policy -&gt; Productivity</td>
<td>0.287</td>
<td>0.042</td>
<td>6.806</td>
<td>Significant</td>
</tr>
<tr>
<td>Government Policy -&gt; Competitiveness</td>
<td>0.244</td>
<td>0.038</td>
<td>7.209</td>
<td>Significant</td>
</tr>
<tr>
<td>Government Policy -&gt; Sustainability</td>
<td>0.298</td>
<td>0.064</td>
<td>5.004</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Results of data analysis (2024)
The path coefficients derived from the structural model highlight the substantial and positive relationships between government policy effectiveness and various agribusiness performance indicators. With all path coefficients being positive and statistically significant at the 95% confidence level, it indicates a significant positive impact of government policies on agribusiness investment, productivity, competitiveness, and sustainability. Specifically, the path coefficient of 0.324 for government policy's effect on agribusiness investment signifies a significant positive relationship, supported by a high t-value of 6.403. Similarly, the path coefficient of 0.287 for productivity, 0.244 for competitiveness, and 0.298 for sustainability all suggest significant positive associations with government policy effectiveness, each backed by high t-values of 6.806, 7.209, and 5.004, respectively. These findings underscore the crucial role of effective government policies in fostering favorable conditions for agribusiness development, productivity enhancement, market competitiveness, and sustainability practices.

4.8 Mediation
Mediation effects were examined to explore the indirect and conditional relationships between government policy effectiveness, agribusiness performance indicators, and contextual factors. Bootstrapping analysis was conducted to assess the significance of these effects. The following table presents the results of the mediation analysis, including the indirect effects for each relationship in the structural model.

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Indirect Effect</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>GP -&gt; AI (Mediated by CM)</td>
<td>0.153</td>
<td>Significant</td>
</tr>
<tr>
<td>GP -&gt; PD (SS)</td>
<td>0.126</td>
<td>Significant</td>
</tr>
</tbody>
</table>

*Source: Results of data analysis (2024)*

The indirect effects of government policy on agribusiness investment and productivity, mediated by competitiveness and sustainability, respectively, underscore the multifaceted impact of policy interventions on sectoral outcomes. The significant indirect effect of 0.153 highlights how government policies, including regulatory reforms and infrastructure investments, enhance the competitiveness of agribusiness enterprises, subsequently stimulating investment. This emphasizes the pivotal role of fostering a competitive business environment through policy interventions to attract investment and drive economic growth in the agribusiness sector. Similarly, the significant indirect effect of 0.126 indicates that government policies, such as environmental regulations and sustainable agriculture initiatives, promote sustainable practices within the agribusiness sector, thereby enhancing productivity. This underscores the importance of integrating sustainability considerations into policy frameworks to improve resource efficiency, mitigate environmental risks, and bolster long-term productivity and resilience in the agribusiness sector.

Discussion
The results of the study provide valuable insights into the relationship between government policy and agribusiness development in Indonesia. The findings underscore the significant impact of government policies on various aspects of agribusiness performance, including investment, productivity, competitiveness, and sustainability.

The analysis revealed that effective government policies positively influence agribusiness investment, productivity, competitiveness, and sustainability. This suggests that well-designed and implemented policies play a crucial role in shaping the business environment for agribusiness enterprises, stimulating investment, enhancing productivity, and improving market competitiveness. The positive relationship between government policy and agribusiness outcomes underscores the importance of supportive policy frameworks in fostering sectoral growth and rural development.
The mediation analysis highlighted the role of competitiveness and sustainability key mechanisms through which government policies influence agribusiness performance. By facilitating the adoption of technology and improving market access for agribusiness enterprises, government policies indirectly contribute to enhancing investment and productivity in the sector. These findings underscore the importance of targeted interventions to promote technology transfer, innovation, and market integration within the agribusiness value chain.

The findings of this study are in line with various studies on agricultural policies and programmes in Indonesia highlighting the important role of government intervention in shaping agribusiness development [14], [50], [51], [52], [53]. These studies emphasise that government policies significantly influence investment, productivity, competitiveness and sustainability in the agribusiness sector. To maximise the effectiveness and relevance of policy interventions, it is crucial to tailor them to the specific context and address contextual nuances. Strategies such as enhancing policy coherence, stakeholder engagement, and institutional capacity are critical to fostering inclusive and sustainable agribusiness development in Indonesia. By considering these insights and implementing well-targeted policies, the government can foster a conducive environment for agribusiness growth, which will ultimately benefit farmers, rural communities, and the agricultural sector as a whole.

**Implications for Policy and Practice**

The findings of the study have important implications for policymakers, agribusiness stakeholders, and development practitioners. By elucidating the mechanisms through which government policies influence agribusiness outcomes, the study offers actionable insights for enhancing policy effectiveness and promoting sectoral development. Targeted interventions to promote technology adoption, improve market access, and address contextual factors are crucial for unlocking the full potential of the agribusiness sector in Indonesia.

**Limitations and Future Research Directions**

Despite its contributions, the study has several limitations that should be acknowledged. The cross-sectional nature of the data limits causal inference, and longitudinal studies are needed to assess the long-term impacts of policy interventions. Additionally, the study focused on quantitative analysis, and future research could complement these findings with qualitative inquiries to capture nuanced perspectives and contextual dynamics.

**CONCLUSION**

In conclusion, this study provides empirical evidence on the crucial role of government policy in driving agribusiness development in Indonesia. The findings highlight the significant impact of government policies on agribusiness investment, productivity, competitiveness, and sustainability, underscoring the importance of supportive policy frameworks in fostering sectoral growth and rural development. Through mediation, the study identifies the mechanisms through which government policies influence agribusiness outcomes and emphasizes the importance of considering contextual factors in policy formulation and implementation. These findings have important implications for policymakers, agribusiness stakeholders, and development practitioners seeking to promote sustainable and inclusive growth in the agribusiness sector. By leveraging the insights from this study, policymakers can design evidence-based policy interventions to address structural constraints, enhance competitiveness, and promote inclusive and sustainable agribusiness development in Indonesia.
REFERENCES


