

STRENGTHENING INSTITUTIONAL TOWARDS SMALLHOLDERS WELFARE Evidence from Existing Condition of Cocoa Smallholders in Sulawesi, Indonesia¹

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Key words: Institutional, Cocoa Smallholders, Interpretative Structural Modeling

Abstract

This paper deals with institutional development of cocoa smallholders. As widely known that Indonesia is the third largest cocoa producer in the world, of which about 90% of total production is obtained from smallholders. Poverty trap for cocoa smallholders is a result of: (i) the low quality of human resources, (ii) lack of agricultural assets, (iii) lack of access to social facilities, information and communication, and (iv) lack of income gained in economic activity. All this cannot be separated from the weak role and inter-agency coordination, indicating the weak of smallholders institutional. By employing an Interpretative Structural Modeling (ISM), the research objectives are; (i) identifying the role of institutions in institutional of cocoa smallholders, (ii) assessing the interest of education and training materials in smallholder development. The central point of ISM results show that, (i) Local Office for Forestry and Estate (*Hutbun*), (ii) Local Field Extension Officer for Plantation (PPL), and (iii) Marketing Institutions are the key institution actors in strengthening institutional of cocoa smallholders. This leads us to argue that maximizing the role of *Hutbun*, PPL, and Marketing Institutions could help smallholder institutional development, improving welfare in other words. Similarly, the role of education and training is also needed in helping smallholders. ISM results persuasively revealed that, the materials of (i) post-harvest management, (ii) marketing, and (iii) the provision of agriculture inputs are the key elements. A major implication of this finding is that, introducing intensively materials of post-harvest management & fermentation, agriculture input provision, and marketing aspect in educating and training the smallholders, could become a potential route to strengthen institutional towards cocoa smallholders welfare in the country.

¹ The research was funded by the 2012 Research Scheme for National Strategic Issue (HIBAH-STRANAS) Project, Directorate-General of Higher Education, Ministry of Education and Culture, Republic of Indonesia.

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