Human Capital Culture and Firm Value in Indonesia's Agribusiness: Aligning HRM Practices with Sustainable Development Goals

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ABSTRACT
This study explores the impact of human capital culture on firm value within Indonesia's agribusiness sector, focusing on employee compensation, care, and training. In alignment with Sustainable Development Goals (SDGs) and Indonesia's Vision 2045, the research examines how these human resource management (HRM) practices influence two key financial metrics: market value and total assets. Using secondary data from 2019 to 2023, the study applies panel data regression to assess the effects of compensation, employee care,training and earnings after tax (EAT) on firm value. The findings reveal that compensation significantly impacts both market value and total assets, while EAT positively influences market value. However, the effect of training on firm value is not immediately observable, suggesting a lagged impact. These results underscore the critical role of employee compensation in enhancing organizational performance and financial outcomes in agribusiness. The study provides valuable insights for policymakers and industry leaders aiming to align HRM practices with sustainable economic growth.

1. Introduction

Indonesia is a predominantly agrarian country with a vast agricultural sector contributing significantly to the national economy. The agribusiness sector plays a critical role in providing employment and generating revenue, making it a key driver for sustainable development. As the nation aims to meet its Sustainable Development Goals (SDGs) and the Vision of Indonesia 2045, the agricultural industry must align itself with global trends such as sustainability and corporate responsibility (World Bank, 2022). For this reason, exploring the intersection of human capital and firm value within this industry is both timely and essential.

Human capital still remains a major challenge for agribusiness firms in Indonesia. Research has shown that managing employee pay, welfare and training more effectively lead to the improvement in productivity and affect firm performance positively (Becker, 1996). Humans Capital concerns what brings profit to the business, aligning financial performance without resources and human strategies as solution for employee well-being consider it inclusive engagement (Delery & Roumpi, 2017). They further shed the lights on how human capital culture is related to firm value making it a significant metric in achieving a sustainable long-term business.

It is well accepted that employee remuneration is an element of human capital orientation that relates with motivation, satisfaction, and retention of employees (Glaister et al. 2018). In particular, for agribusiness firms in Indonesia, fair & sufficient compensation matter so much since it affects the firm performance in labor-intensive segment (International Labour Organization, 2021). This is particularly true in a space which has high competition and changes, and where practices that link pay to performance and loyalty to the firm are critical in nurturing the human resource leverage to provide value to the firm.

Employee care and training as the second component is also quite essential as it translates to the firm value. Employees who undertake the effort to develop their employees are also likely to retain them, and their employees will be more productive (Boxall & Purcell, 2016). This is true particularly for agribusiness operations as being productive depends mostly on the employees' knowledge and how well employees comply with quality expectations (UNDP, 2021). Training and development programs help employees in acquisition of skills but rather promote building organizations' concerns with environmental and quality enhancement.

Market worth and net worth are two parameters that are used in evaluating the performance of a firm. The market, due to various reasons such as profitability, and the quality of human resources available in the firm, is subject to change (Barney, 1991). Agribusiness firms that have highly quite human capital cultures that focuses on employee compensation, care, and training are likely to have higher market value as this aspects result in

enhancing financial performance (Huselid, 1995). In addition to that, appropriate management of total assets is usually associated with improved stability and growth, which is essential given the volatile nature of agricultural markets today (OECD, 2020).

Earning After Tax (EAT) is the most focused target of all profit measures since it points to the profitability of a company and the potential reward for shareholders. Overall business performance is largely determined by how efficient the firm can turn in high profits and at the same time assure employees and operations are all working well (Kaplan & Norton, 1992). As seen from the case of Indonesian agribusiness firms, it is possible for companies to generate profits and adopt ethical and fair treatment of their workers for sustainable success both in local and international markets (IFC, 2020). This correlation between human capital culture and profitability warrants further investigation in this area.

In the scope of achieving SDGs, human capital is vital in achieving various human targeted areas, such as clean jobs and economic growth (SDG 8) , reduce inequalities among the population (SDG 10), as well as advocate for responsible consumption and production processes (SDG 12). Firms in the agribusiness sector, which keep improving on employee welfare also play their part at the state level without hindering their operational success (UN, 2020). As a result, it is essential to consider how human resource culture relates to firm value as this will assist in explaining how, in this case, agribusiness firms in Indonesia can be efficient in meeting sustainability goals.

It is imperative for agribusiness firms to resonate with Indonesia Vision 2045 picking up as one of the factors of national development. Being the ambition to join the middle-income countries in the Indonesian plan, the agribusiness sector has to reinvent itself and embrace trends that are sustainable (Indonesia Ministry of National Development Planning, 2020). Compensation, care and training of employees aimed at enhancing human capital is one of the aspects of change in the business environment as it creates a more adaptive and effective workforce capable of tackling any challenges ahead (OECD, 2019). This, in turn, underscores the need to appreciate why human capital is paramount to firm value.

Furthermore, with a view of understanding the firm's value, it is also useful to assess the effects associated with human capital from a cultural perspective (Hofstede, 1980). For Instance, Indonesian agribusiness companies function within a more relational society where stakeholder attitudes such as employee relations as well as corporate social responsibility are important. As an example, Schuler & Jackson (1987) argue that this particular context helps to understand how human resource culture, comprising of employee care, compensation, and training, contributes to firm value thereby benefiting the practitioners and policy makers on corporate performance and sustainability.

To sum up, this research is intended to fill the invisible hole that exists between human capital management and firm value causation in the context of agribusiness in Indonesia; more specifically employee compensation, care, training and profit after tax. By extending previous theories about human capital culture, this study will enhance our understanding of how such factors impact on market value and total assets in an industry crucial to the economic and developmental goals of the nation and the world. Therefore, in view of the increasing pressures for sustainability that the agribusinesses are experiencing, this practical perspective of how human capital can create more value to the organization is quite suitable (World Bank, 2021).

2. Literature Review

Human capital theory provides the firm theoretical framework for assessing employees' contribution to the organizational performance. In line with Becker (1964) it posits that training, education, and health investments lead to higher performers and organisational effectiveness (Becker, 1964; Delery & Roumidi, 2017). According to human capital theory when applied to agribusiness firms, employees' remunerations, concern, and training are strategic factors that lead to the value of the business since they enhance efficiency, creativity and workforce retention (Glaister et al., 2018). Other contemporary research also reflects that companies who pay more attention to human capital development usually guarantee higher market and total asset returns (Wright & McMahan, 2011). HRM is an essential ingredient in guaranteeing organizational success, especially in industries of prime labor relevance, including agribusiness. Modern HRM practices were designed from the previous ones as a system of practices that focus not only on the strategic and integration of human resources management with organizational goals (Delery & Roumpi, 2017). This shift is particular resonates for agribusiness firms in Indonesia, because the proper management of employees determine the positive change on the firm value due to financial returns and sustainability gains.

Something else that Resource Based Value (RBV) does as well is to act as a link between traditional human capital theory and practical application of the concept in business. Consistent with the assumptions of Alavi (2010) and RBV, it is suggested that resources that differentiate a firm encompass human capital possessed by it (Barney, 1991). Based on RBV, knowledge, skills, and abilities (KSAs of employees are considered important strategic assets that offer exclusive, rare, valuable, and non-imitative and non-substitutable value proposition that can produce sustained competitive advantage (Barney et al., 2011). In a firm operating in the agribusiness industry, this theory fits/places emphasis on how pay and skill development act as management instruments in efficiently utilizing a firm-specific stock to improve the firm value. Research has also revealed that best people management through strategic human resource management and remuneration and training initiatives enhance value of firms compared to rivals in terms of market and financial performance (Huselid & Becker 2011).

The discipline that applies these ideas in systems and practices is human resource management (HRM). Strategic Human Resource Management (SHRM) is one of these applied theories that hinges on how to best link human resource management practices to improve organisational performance (Delery & Roumpi, 2017). SHRM emphasises taking care of people, respresented by meaningful and fair remuneration of their work, caring about their welfare and providing valuable training that will support the further improvement of the firm's value. To shoulder this responsibility for Indonesian-Based agribusiness firms, it is crucial to commit on compensation practices performance based pay for all its employees, ensure ongoing learning management for those factors which have significant influence on performance and show care for its employees for them to perform to the maximum standard as well as achieve the set goals and objectives of the business (Wright & Ulrich, 2017). Pay policies are important in employee attraction, employee retention and employee engagement, which enhance organizational productivity (Glaister et al., 2018). Research indicates that companies that provide better remuneration for their employees relative to other employees within their industry, specification industries for example agribusiness industries, attain managed levels of employee turnover and realize higher productivity levels (Kang & Kim, 2020). Moreover, reasonable policies on compensation are correlated with an increasing in the firm's reputation and value, which are the main factors of firm success (Huselid & Becker, 2011).

Another area of HRM is the employee care, which refers to welfare, and contains work-life balance as one if its components, and has received more attention in the recent past. Organizations that utilize a commitment to employees to develop passionate and dedicated members are in a lucky position (Wright & Ulrich, 2017). When it comes to the physical sector like agribusiness, the physical demands a firm places on its employees are immense; in such circumstances, addressing care modes like those concerning health and flexibility in working packages also increase employees' performance and morale (Boxall & Purcell, 2016). Findings also show that where firms invest in employee care, they tend to be more profitable and have better control over their assets as compared to those firms that do not regard employees' welfare as a paramount important factor (Jiang et al., 2012).

Training and development for instance also take a central place in the Human Resource Management because of the increased importance of improving on the skills and competencies of the workforce to address the needs of the organization. Through the debate, it will be evident that the agribusiness firms that invest in the continuous training of their employees tuy increase productivity as well as produce a more innovation and adaptable staff (Glaister et al., 2018). Enhancing the technical skills through training increases aspects of firm performance especially in organization type of sectors such as agriculture, where technical know-how may be crucial (Noe et al., 2021). Research has proved that firms which engage consistently in training have favorable financial returns such as higher profit margins and higher market value (Huselid & Becker, 2011).

Earnings after tax (EAT) is an important determinant of firm value since they directly point to the earnings-revenue capability of a company and its capacity to produce returns for its shareholders. Research has revealed that high EAT causes higher investor confidence increasing a firm's market value (Jensen, 2017). This link can also be associated with the firm's capacity to reinvest profits: such operations can improve the general growth profiles as well as future earnings streams (Penman, 2020) . Moreover, EAT determines dividends policies, which is an indicator of funds stability and thus enhances shareholders' wealth which affects firm valuation (Brimin & Ehrhardt, 2016). Also, steady and increasing post-tax earnings are seen as signifying good managerial performance and efficient operation as regards costs, which have a positive impact on market perceptions of firm value (Barth, Beaver & Landsman, 2018) . Finally, companies with higher EAT receive better responses from the capital markets and expectedly, with higher probability seen as less credit risks, increasing further their valuation consistent with the Modigliani and Miller proposition.

In addition, research has provided an empirical evidence of the relationship between HRM practices and the performance of firms. For instance, Jiang et al, (2012) reported that the examined firms, with increased and well-implemented HRM systems that aimed at employee development, compensations, and care received higher profits and had better assets valuations compared to firms with less focus on those aspects. Indeed, in business sectors such as agribusiness, where several activities are labor intensive, it is possible to achieve scale by efficient investment in human capital and therein potentially realizing firm value through efficiency in market valuation and optimization of assets (Boxall & Purcell, 2016).

3. Methodology

This study seeks to examine the impact of human capital practices—specifically employee compensation, employee care and training, and EAT—on firm value in agribusiness companies listed on the Indonesia Stock Exchange (IDX). Firm value is measured through two financial metrics: market value of the company and total assets. The methodology used in this research integrates data collection, data processing, and analytical techniques that align with prior studies on human resource management and financial performance.

The study utilizes secondary data derived from publicly available sustainability reports and company disclosures listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. These reports include information on employee compensation, training and development expenses, and other human resource investments, which are key variables in this research. Financial data on firm value, such as earning after tax, market value and total assets, are also extracted from these reports (Noe et al., 2021). EAT is added as a key independent variable because it serves as an indicator of a company's profitability and financial health, which can significantly affect both Market Value and Total Assets. EAT provides investors and analysts an insight of a firm's overall capacity to produce profits once all its related costs including taxes have been met. Higher profit may increase the market value of the firm and can also result into an increase of it assets in the future. This is to help achieve a more robust examination of the relationship between human capital practices on the one hand and firm value and financial performance on the other. The study uses two main categories of variables:

1. Independent Variables :

a) Employee Compensation : Measured by the total compensation cost, including salaries, bonuses, and other monetary benefits offered to employees (Delery & Roumpi, 2017).

b) Employee Care and Training : Measured through the expenses incurred for employee training and development, as well as welfare programs aimed at improving employee well-being (Jiang et al., 2012).

c) Earning After Tax : Measured by Total Earning that has been minus by tax.

2. Dependent Variables :

a) Market Value : Calculated as the company's share price multiplied by the number of outstanding shares (Kang & Kim, 2020).

b) Total Assets : Representing the sum of all assets owned by the company, which reflects the company's financial strength and ability to generate future returns (Huselid & Becker, 2011).

Model 1: Market Value as Dependent Variable

The regression equation is:

$$\mathrm{MV} = \alpha_1 + \beta_{1_1}(\mathrm{EC}) + \beta_{1_2}(\mathrm{ECT}) + \beta_{1_3}(\mathrm{PAT}) + \epsilon_1$$

Model 2: Total Assets as Dependent Variable

The regression equation is:

$$\mathrm{TA} = \alpha_2 + \beta_{2_1}(\mathrm{EC}) + \beta_{2_2}(\mathrm{ECT}) + \beta_{2_3}(\mathrm{PAT}) + \epsilon_2$$

Where:

MV = Market Value (calculated as the company's share price multiplied by the number of outstanding shares)

TA = Total Assets (the sum of all assets owned by the company),

EC = Employee Compensation,

ECT = Employee Care and Training,

PAT = Profit After Tax (net profit remaining after taxes are deducted),

α = Constant

βi = Regression coefficients for Market Value,

e = Error term for Model 1.

The tools are selected due to appropriateness in analysis of panel data and performing regression tests (Sekaran & Bougie, 2016). Panel data regression is suitable in this study as it generates both cross sectional and time series data hence providing efficient methods for estimating time varying performance of firms (Wooldridge, 2010). The following steps outline the data processing procedure:

a. Data Collection : Collecting secondary data from IDX via accessing balance sheets and other financial reports of the firms in 2019 to 2023, consolidated annual reports, and HR disclosures (Wright et al., 2021).

b. Data Cleaning : Knowledge of a large number of records where considerable information is either missing or mismatched needs to be rectified to give a more accurate form to the dataset (Sekaran and Bougie, 2016).

c. Descriptive Statistics : First descriptive analysis to obtain means, standard deviations, and correlations of the measurement variables (Wright & Ulrich, 2017).

d. Panel Data Regression : To analyze the result of the model, the fixed or random effect models can be used depending on the outcomes of the Hausman test. By using multiple regression analysis, it is possible to assess how the independent variables, therefore the employee compensation and training selected for the study, affect the dependent variable, which was firm value in this case, based on the fixed or random effect models when the outcomes of the Hausman test are used (Wooldridge, 2010).

e. Hypothesis Testing : Evaluating the coefficients and the significance level in order to conclude for or against the null hypotheses (H0) which does not assume any significant relationship between human capital practices and firm value, and the empirically derived and assumed alternative hypotheses (H1) which suggests that such a relationship does exist.

4. Results and Discussion

Table 1. Model 1 Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.394	.155	.127	1.23232
a. Predictors: (Constant), EC, ECT, PAT				
b. Dependent Variable: MV				

Table 2. Hypothesis Testing Model 1

Coefficients								
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics			
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	14.661	.153		95.972	<.001		
	EC	4.523E-7	.000	.242	2.492	.015	.981	1.019
	ECT	-4.646E-8	.000	-.061	-.625	.534	.988	1.012
	EAT	2.300E-7	.000	.269	2.762	.007	.981	1.019
a. Dependent Variable: MV								

Table 3. Model Summary 2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.327	.107	.078	2.34735
a. Predictors: (Constant), EAT, EC, ECT				
b. Dependent Variable: TA				

Table 4. Hypothesis Testing Model 2

Coefficients								
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics			
	B	Std. Error	Beta			Tolerance	VIF	
2	(Constant)	14.284	.291		49.089	<.001		
	EC	1.100E-6	.000	.318	3.183	.002	.981	1.019
	ECT	1.818E-8	.000	.013	.128	.898	.988	1.012
	EAT	8.030E-8	.000	.051	.506	.614	.981	1.019
a. Dependent Variable: TA								

The regression analysis aimed to examine the influence of Compensation, Training, and EAT (Earnings After Tax) on two dependent variables: MV (Market Capital) and TA (Total Assets). The results from the model summary and coefficients tables reveal several insights regarding the relationships between these variables. The first model, where MV is the dependent variable, shows a moderate correlation, with an R value of 0.394 , indicating a moderate strength of the relationship between the independent variables and MV. This suggests that there is a positive connection, but it is not particularly strong (Hair, Black, Babin, & Anderson, 2019). The second model, where ASSETT is the dependent variable, has a lower R value of 0.327 , which implies a weaker relationship between the independent variables and ASSETT (Field, 2020).

In terms of explanatory power, the R-squared for the MV model is 0.155 , meaning that 15.5% of the variance in MVP can be explained by Compensation, Training Cost, and EAT. This relatively low R-squared suggests that while the independent variables do contribute to explaining MV, there are likely other factors at play that were not included in this model (Cohen, 2013). On the other hand, the R-squared for the Total Asset (TA) model is 0.107 , meaning that only 10.7% of the variation in (TA) is accounted for by the independent variables. This even lower R-squared indicates that the model has a limited ability to explain fluctuations in Total Asset (Tabachnick & Fidell, 2019).

Looking at the coefficients for the model 1, the variable Compensation has a positive and significant effect on Market Value (MV) , with a beta coefficient of 0.242 and a p-value of 0.015 , suggesting that as compensation increases, Market Value (MV) also increases. This finding is in line with the expectation that higher employee compensation could lead to better performance, thus increasing capital (Kim & Ployhart, 2018). Conversely, Training has no significant effect on Market Value (MV), as evidenced by the p-value of 0.534 . This suggests that training alone may not directly impact the firm's capital, which could be due to the long-term nature of training effects (Salas, Tannenbaum, Kraiger, & Smith-Jentsch, 2012). EAT has a significant positive effect on Market Value (MV) , with a beta of 0.269 and a p-value of 0.007 , indicating that firms with higher earnings after tax tend to have higher capital, which aligns with the theory that profitability strengthens financial performance (Barney & Clark, 2019).

The positive and significant effect of Compensation on Market Value (MV) can be explained through the lens of human capital theory, which posits that investments in employee remuneration lead to enhanced productivity, commitment, and ultimately, financial performance (Kim & Ployhart, 2018). Higher compensation often results in better employee satisfaction, reduced turnover, and greater motivation, all of which contribute to improved performance and efficiency within the firm. This enhanced performance is then reflected in the firm's financial metrics, such as increased capital. Therefore, the positive relationship between Compensation and Market Value (MV) in this model is consistent with existing literature on the value of human resource investments for organizational performance (Gerhart, Fang, & Kim, 2020).

On the other hand, the insignificant effect of Training on Market Value (MV) may be attributed to the delayed nature of training benefits. While training is generally regarded as a critical factor in improving long-term organizational capability and employee skills, its immediate impact on capital may not be readily observable (Salas, Tannenbaum, Kraiger, & Smith-Jentsch, 2012). Training programs typically take time to translate into enhanced financial outcomes, as employees require a period to apply newly acquired skills. Additionally, the benefits of training are often indirect, manifesting through other performance indicators like productivity or innovation, which may not directly impact capital in the short term (Aguinis & Kraiger, 2021).

The significant positive effect of Earnings After Tax (EAT) on Market Value (MV) aligns with classical financial theories that link profitability to capital growth. Firms with higher post-tax earnings have greater financial flexibility to reinvest in operations, expand their business activities, or enhance their capital reserves (Barney & Clark, 2019). Profitability serves as an essential driver of financial health, and firms with strong

earnings are better positioned to attract investments, reduce debt, and build capital. This relationship underscores the importance of profitability in sustaining long-term financial growth, which is well-documented in the literature (Wang, Barney, & Reuer, 2021).

The results collectively suggest that while Compensation and EAT are direct contributors toMarket Value (MV), Training may require a longer time horizon to manifest its benefits. This finding is consistent with the view that certain human resource initiatives, such as training, have a lagged effect on financial outcomes, whereas direct financial measures like Compensation and profitability show more immediate results (Choi & Ahn, 2021). The limited immediate impact of Training on Market Value (MV) suggests that future studies might consider investigating other performance metrics, such as employee retention or innovation, which could provide more insight into the long-term benefits of training investments.

In the model 2 which is Total Asset as independent variable, compensation once again has a significant positive effect , with a beta of 0.318 and a p-value of 0.002 . This suggests that firms that invest more in employee compensation tend to have larger assets, potentially because better-compensated employees contribute to increased productivity and resource utilization (Choi & Ahn, 2021). However, similar to the Market Value (MV) model, Training does not have a significant effect on Total Asset , as the p-value is 0.898 , indicating that training investments might not have an immediate or direct impact on asset growth (Aguinis & Kraiger, 2021). EAT does not have a significant effect on Total Asset either , with a p-value of 0.614 , suggesting that the relationship between earnings after tax and assets may be mediated by other factors, such as reinvestment strategies or asset management (Teece, 2019).

The significant positive effect of Compensation on Total Asset, as indicated by a beta of 0.318 and a p-value of 0.002, underscores the crucial role of employee compensation in influencing asset growth. This relationship can be explained through the impact of well-compensated employees on organizational performance. Higher compensation often leads to improved job satisfaction, motivation, and productivity, which can result in better resource utilization and efficiency (Choi & Ahn, 2021). As employees perform better, they may contribute to generating more output, driving better financial results, which in turn can enhance the firm's ability to acquire or maintain assets. Therefore, firms that prioritize competitive compensation strategies are likely to experience an increase in their tangible and intangible assets, as supported by previous studies on human capital and organizational success (Gerhart, Fang, & Kim, 2020).

On the contrary, the lack of a significant effect of Training on Total Asset, evidenced by a p-value of 0.898, may be attributed to the indirect and long-term nature of training outcomes. Training typically enhances employee skills and knowledge, which over time, contributes to higher productivity and innovation (Aguinis & Kraiger, 2021). However, these improvements may not immediately translate into asset growth. The time required for employees to apply new skills and for firms to realize the financial benefits of training investments could explain why training does not significantly affect asset growth in the short term. Additionally, the impact of training on a firm's performance may be reflected in other indicators, such as customer satisfaction or employee retention, which are not directly tied to asset accumulation (Salas, Tannenbaum, Kraiger, & Smith-Jentsch, 2012).

The insignificant effect of Earnings After Tax (EAT) on Total Asset, with a p-value of 0.614, suggests that while profitability is crucial for financial stability, its relationship with asset growth may be mediated by other factors. One possible explanation is that firms with higher earnings may choose to reinvest profits in areas other than assets, such as research and development, marketing, or debt reduction (Teece, 2019). The strategic allocation of profits towards intangible assets or operational improvements could divert funds from direct asset accumulation, thereby weakening the direct relationship between EAT and Total Asset.

The variance inflation factors (VIF) for all predictors in both models are close to 1, indicating no significant multicollinearity among the independent variables (Daoud, 2017). This ensures that the estimates of the coefficients are not biased due to the high correlation between the predictors, thereby increasing the reliability of the findings (Garson, 2019). The low collinearity confirms that the independent variables—Compensation, Training, and EAT—can be interpreted independently in relation to the dependent variables (Hair et al., 2019).

In terms of implications, the results suggest that Compensation plays a crucial role in influencing both capital and asset growth in firms, aligning with previous research that highlights the importance of employee remuneration in driving organizational performance (Gerhart, Fang, & Kim, 2020). However, Training does not appear to have a direct short-term effect , which could be due to the time lag between training initiatives

and observable results in financial metrics (Aguinis & Kraiger, 2021). Lastly, EAT is significant for Market Value (MV) but not for Total Asset , suggesting that earnings after tax may have a more direct impact on capital formation than on asset growth (Wang, Barney, & Reuer, 2021).

5. Conclusion

The analysis shows that Compensation is a key driver of both capital and asset growth, indicating that firms that prioritize employee remuneration tend to perform better financially (Gerhart et al., 2020). Training investments, while essential for long-term development, do not show immediate financial benefits in this context (Kim & Ployhart, 2018). The impact of Earnings After Tax (EAT) is more pronounced on capital than on assets, implying that firms may use post-tax profits primarily to bolster their capital base rather than increasing their asset holdings (Teece, 2019). Therefore, companies seeking to improve their financial outcomes, particularly in terms of capital growth, should focus on enhancing compensation structures and optimizing earnings (Choi & Ahn, 2021).

6. Research Limitations

This study is limited by its reliance on secondary data, which may not capture all qualitative aspects of human capital investments, such as employee satisfaction and engagement. Additionally, the study focuses only on agribusiness firms in Indonesia, which may limit the generalizability of the findings to other sectors or regions (Wright & McMahan, 2011). In summary, this methodology provides a comprehensive approach to analyzing the impact of human capital practices on firm value in Indonesian agribusiness firms. The use of panel data regression, supported by secondary data from publicly available sources, ensures that the study is grounded in empirical evidence and capable of generating actionable insights for both academics and practitioners.

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