
Local Wisdom-Based Social Welfare Policy to Address Structural Poverty and Social Inequality in Indonesia

Muhammad Alwi^{1*}, Hamdiadi², Wahyuni Susanti³

Faculty of Da'wah and Communication Sciences, UIN Syarif Hidayatullah Jakarta, Indonesia

*Corresponding Author: alwimuhammad05@gmail.com

Key Words:

Social Welfare, Local Wisdom, Structural Poverty, Social Inequality, Public Policy

Abstract: Structural poverty and social inequality remain major challenges to Indonesia's development, despite the implementation of various social welfare policies. This study aims to describe the local wisdom-based social welfare policy model implemented in Indonesia, analyze its contribution to reducing structural poverty and social inequality, and identify supporting factors and barriers to its implementation. The research method used is a qualitative literature study, with data obtained from journal articles, books, and research reports from the past five years relevant to the topic. Data collection was conducted through a literature review, while data analysis employed content analysis to categorize and interpret findings from various sources.

The results show that social welfare policies that integrate local wisdom, such as mutual cooperation (*gotong royong*), deliberation (*musyawarah*), the (*arisan*) system, and customary-based financial institutions, have proven more effective in increasing community participation, strengthening social solidarity, and providing social protection for vulnerable groups. However, the implementation of these policies still faces obstacles such as weak local bureaucratic capacity, limited inter-institutional coordination mechanisms, and the influence of modernization that erodes traditional solidarity values. Thus, this study emphasizes the importance of combining formal government policy approaches with local wisdom-based social forces to realize more inclusive and sustainable social development in Indonesia.

Introduction

The Indonesian government ideally aims to create a just and prosperous society, where every citizen has equal access to economic resources, social services, and development opportunities. Under ideal conditions, structural poverty and social inequality can be reduced through responsive, inclusive, and locally tailored public policies that take into account the culture, traditional values, and local wisdom that are already part of people's lives. However, the reality presents a significant gap between this ideal and the reality on the ground. Structural poverty persists in many areas (including urban and border areas), social inequality remains

widespread in terms of access to education, health care, and economic opportunities, and many top-down social welfare policies fail to address the cultural roots of communities. Local wisdom is often viewed as merely a symbol, rather than a basis for concrete operational policies. In fact, the local wisdom of Indonesians has been proven to function as social capital, strengthening solidarity, expanding the social safety net, and increasing community participation. Local wisdom is not merely a cultural symbol, but also functions as operational social capital. For example, Amin et al. (2019) found that the revitalization of the local wisdom "bari" in North Maluku expanded the social safety net through community management and the construction of adequate housing for the poor. Similarly, Purwanti & Saskara (2022) demonstrated that social capital synergized with local values in Bali strengthened household food security. In West Kalimantan, Fitriasaki (2022) noted that local traditions and norms served as the basis for social solidarity in facing the pandemic crisis. However, the focus of this research is more on community empowerment and has not yet discussed in depth the role of formal policies. Meanwhile, a study by Suranto & Darumurti (2024) identified various public policy innovations based on local wisdom in the education, health, environmental, and community empowerment sectors, but this research is still descriptive and has not evaluated their impact on structural poverty and social inequality. Another study by Mukramin et al. (2023) related to poverty alleviation of the Bajo ethnic group through the local wisdom-based Merdeka Belajar Kampus Merdeka (MBKM) program in Bone Regency showed an increase in community independence and creativity, but its scope was limited to the micro scope of certain communities and did not reach a national social policy analysis.

Based on this recent review, a research gap can be identified: local wisdom-based social welfare policies have not yet been designed as formal operational policies integrated with central and regional government systems. Empirical analysis of the impact of local wisdom-based policies on reducing structural poverty and social inequality is also still limited, while comparative studies across regions with cultural diversity are almost nonexistent. Therefore, this study offers novelty by examining formal social welfare policies that explicitly adopt local wisdom as the basis for design and implementation, and analyzing their contribution to reducing structural poverty and social inequality across various cultural contexts.

The purpose of this study is to describe a model of local wisdom-based social welfare policy implemented in Indonesia, analyze its contribution to reducing structural poverty and social inequality, and identify supporting factors and obstacles in its implementation. Theoretically, this study is expected to enrich the social welfare science literature by developing

a framework that positions local wisdom as a structural element of policy, not merely an added value. Practically, the results of the study are expected to serve as a reference for central and regional governments in formulating more contextual, adaptive, and effective social welfare policies, while also providing input for social institutions and local communities in designing programs for poverty alleviation and reducing culturally based social inequality.

Methods

This study uses a qualitative approach with a library research type, namely research that utilizes secondary data sources in the form of documents, policies, reports, scientific journals, and related literature regarding social welfare policies and local wisdom in Indonesia. Data sources include central and regional government regulations, official policy documents, academic publications from national and international journals during 2019–2024, reports from government institutions and NGOs, and research articles discussing local wisdom, structural poverty, and social inequality. Data collection techniques are carried out through document review, systematic literature review, and policy analysis of official documents. The first collection procedure is the identification and selection of relevant documents through academic databases (e.g., Google Scholar, Garuda, and university journal portals), official government websites, and public policy repositories; then skimming and in-depth reading of texts containing elements of local wisdom, social policy structures, and indicators of poverty and inequality are conducted.

Data analysis was conducted using the thematic analysis method, with the following steps: (1) data reduction, sorting and selecting the main themes from the collected literature and documents; (2) data presentation, grouping findings based on themes such as policy models, the role of local wisdom, impacts on inequality and structural poverty, barriers and supporting factors for policy; and (3) conclusions and interpretations, drawing conclusions about how local wisdom-based social welfare policies are designed and implemented, how effective they are in addressing structural poverty and inequality, and new recommendations based on the gaps found. This process is assisted by triangulation of data sources to increase the validity of the findings, namely by comparing information from academic publications, official policy documents, and published field reports or case studies.

As a recent methodological reference, the study "Local Wisdom-Based Policy Innovation in Indonesia During 2018-2021" by Suranto & Awang Darumurti (2024) used archival data (secondary data) and a descriptive-exploratory approach to analyze public policy innovations based on local wisdom. Furthermore, the study "Transformation of Public Policy

through Local Wisdom and Digitalization in Indonesia" (Sitti Hardiyanti, 2024) also utilized qualitative methods with document analysis and expert interviews as the primary data sources. These methods served as a reference in developing the analytical framework for this study, ensuring comparative results and contextually appropriate analytical depth.

Results

The data in the following table represents the findings of 10 articles published in the last five years (2020–2025), which were successfully filtered from several relevant articles in Google Scholar and national journals. These articles were selected because they touch on aspects of local wisdom, social policy, structural poverty, or social inequality in the Indonesian context.

Table 1 Literature Review Results

No	Article Title	Year	Location	Key Findings
1	<i>Local Wisdom as a Social Security Instrument for the Poor in North Maluku, Indonesia</i> (Amin, Ahmad, Maricar & Abdulrahman)	2022	Maluku Utara, Indonesia	Revitalization of local wisdom “ <i>bari</i> ” is used to strengthen social security for the poor through traditional and community institutions.
2	<i>Poverty Reduction Based on Local Wisdom: a Qualitative Approach</i> (Ruja & Idris)	2023	Malang, Indonesia	Optimizing natural resources and human resources, combined with collective awareness and customary law, ensures that resource distribution becomes one model for poverty alleviation.
3	Implementation of Local Wisdom Values in Penglipuran Village in Increasing Social Solidarity (Aji, Septiyaningsih, Nurhalimah, Pusparani)	2024	Penglipuran, Bali	Mutual cooperation (<i>gotong royong</i>), social sanctions, and women's participation in traditional activities strengthen social solidarity.
4	Empowering Poor Communities Based on Local Wisdom	2022	Poor communities	Local wisdom as a strategy for community

	(Saharuddin)		(villages) in Indonesia	adaptation; used in independent efforts to alleviate community poverty.
5	Poverty Alleviation for the Bajo Ethnic Group Through the Independent Learning and Independent Campus (MBKM) Program Based on Local Wisdom (Mukramin et al.)	2022	Bone Regency, Bajo ethnic community	MBKM based on local wisdom increases creativity, independence, household micro-enterprises, eco-tourism and local institutions.
6	The Urgency of Local Wisdom-Based Poverty Alleviation in North Aceh Regency (Ferizaldi)	2022	North Aceh Regency	Local government remains partial/centralized; local cultural values have not been integrated into concrete poverty alleviation strategies.
7	<i>Local Government and Poverty Alleviation in Baubau City, Indonesia</i> (Jufri, Nurlinah, Irwan)	2024	Baubau City, Southeast Sulawesi	Local governments, through empowerment policies and targeted programs, contribute to poverty reduction; administrative and capacity constraints remain significant.
8	Village Funds and Poverty Reduction in Indonesia: New Policy Insight	2023	Various villages in Indonesia (village level)	Village Funds have the potential to alleviate poverty, but the barriers to local government capacity, coordination mechanisms, and feedback on implementation are quite significant.
9	Migrant Traders, Social Capital, and the Politics of Local Wisdom: A Descriptive Study of Warung Madura	2024	Jakarta, Madurese migrant community	Madurese cultural values, religious norms, and networks of trust within the community support the economic resilience

	Networks in Jakarta				and independence of local businesses.
10	Local Wisdom, Social Capital and Sustainable Development (Sagajoka & Fatima)	2023	Flores, local community		Local wisdom as local knowledge passed down from generation to generation; social capital supports economic activities, environmental adaptation, and sustainable social development.
11	Evaluating local wisdom's impact on financial success: social capital in building economic resilience during covid-19 (Prianthara)	2024	Bali (LPD/Village Credit Institutions)		Local wisdom-based social capital contributes to local economic resilience (LPD), supporting financial performance during the crisis..
12	Integration of social capital containing local wisdom values (Handayani)	2024	Case study of Topat culture (Sumatra/related areas)		Local ritual/traditional values are integrated into social capital that organizes mutual cooperation and economic support among community members.
13	The local-wisdom-based social capital for strengthening ... (Armawi)	2022	Yogyakarta / community context		Local wisdom functions as social capital that forms social mechanisms

(norms, networks) to strengthen community responses (e.g., preventing Covid-19).

Based on a literature review of 10 selected articles from the past five years, it appears that social welfare policies based on local wisdom in Indonesia generally play a significant role in addressing structural poverty. The majority of articles emphasize that local wisdom functions as social capital, strengthening solidarity and mutual cooperation at the community level. This aligns with findings that communities that still uphold local values are more resilient in the face of economic and social pressures.

Furthermore, the literature review demonstrates a tendency that local wisdom serves not only as a cultural heritage but also has practical value in supporting the sustainability of social policies. Several articles indicate that community-based programs that utilize local wisdom, such as the mutual cooperation system and village deliberations, have proven more effective in reaching the poor than top-down policies that are often formal and bureaucratic. This underscores the importance of integrating local cultural values into welfare policies.

The following interpretation shows that there is variation in the implementation of local wisdom as a social welfare policy. For example, in some regions, traditional practices such as arisan (social gatherings), village food barns, or profit-sharing systems have become concrete forms of locally based social safety nets. This variation demonstrates that local wisdom is not uniform, but rather highly contextual, according to the socio-cultural characteristics of the local community. Therefore, mapping local wisdom in each region is a strategic step in formulating social policies.

In terms of challenges, several articles highlight that despite the enormous potential of local wisdom, its implementation is often hampered by modernization and weakening community ties. Globalization and urbanization are driving changes in societal mindsets, eroding solidarity based on local wisdom. This reduces the effectiveness of local values as a basis for social policy if not formally integrated with government policy. In other words, the revitalization of local wisdom is an urgent need that must be addressed within the framework of social development.

Other research findings indicate a positive correlation between policies based on local wisdom and increased community participation. The reviewed articles consistently state that communities are more enthusiastic about participating in welfare programs when the approach

adopts their cultural values. This high level of participation implies increased program sustainability, as communities feel ownership and responsibility for the program's implementation. Therefore, this approach is considered more sustainable than external intervention models.

Finally, the literature findings also confirm that social welfare policies based on local wisdom can be an effective strategy for reducing social inequality. By placing cultural values as a foundation, the resulting policies are more inclusive, participatory, and contextual. This not only improves the economic conditions of the poor but also strengthens social cohesion, reduces conflict, and fosters a sense of social justice. Thus, the analyzed literature provides a strong basis for the belief that local wisdom is a crucial pillar in formulating social welfare policies in Indonesia.

Discussion

The results of several literature studies indicate that local wisdom plays a fundamental role as the basis for social welfare policies in Indonesia, particularly in the context of addressing structural poverty and social inequality. Local wisdom serves not only as a cultural heritage but also as social capital that plays an active role in strengthening social safety nets, building solidarity, and increasing community participation. Findings by Amin et al. (2019) in North Maluku and Sagajoka & Fatima (2023) in Flores, for example, demonstrate that revitalizing local wisdom can create social instruments that maintain community resilience. From the perspective of Putnam's (2000) social capital theory, this confirms that the norms, values, and social networks that grow from local wisdom are important forces in creating social cohesion and reducing community vulnerability to structural shocks.

However, there is a significant gap between the potential of local wisdom and its implementation in formal policies. Ferizaldi's (2022) study in North Aceh shows that government policies are still predominantly top-down and partial, resulting in suboptimal integration of local cultural values into social welfare programs. This fact demonstrates the existence of a policy gap, as explained by Bureaucracy (1980) in the concept of street-level bureaucracy, where policy implementers face limited capacity, administrative constraints, and low community participation. Thus, obstacles lie not only in policy formulation but also in the implementation stage, which is unable to bridge formal values with local social forces.

On the other hand, research by Aji et al. (2025) and Prianthara et al. (2024) demonstrates concrete practices that successfully utilize local wisdom to strengthen social and economic

resilience. Mutual cooperation, women's participation, and customary-based financial institutions (LPD) have proven effective in dealing with the pandemic and economic crisis. This expands on the findings of Musthofa (2011), who previously emphasized the role of local wisdom only in empowering poor communities, by showing that local wisdom now also plays a role in strengthening formal institutions. Furthermore, research by Mukramin et al. (2023) on the Bajo ethnic group confirms that integrating educational programs (MBKM) with local wisdom can increase creativity, independence, and economic productivity of the community. Thus, these findings confirm that local wisdom can transform from merely a cultural value into a formal institutional instrument that contributes to economic and social development.

Other findings from Hidayat et al., (2024) and the Topat culture in Sumatra, Handayani & Abdulkarim, (2024) demonstrate the adaptability of local wisdom in facing the challenges of modernization and urbanization. Religious norms, cultural values, and community social networks continue to serve as the foundation for the economic and social resilience of communities, even in complex urban contexts. This phenomenon can be explained through Granovetter's (1985) embeddedness theory, which states that economic activity is never separated from social norms and social networks. This means that even though communities experience migration and changes in social structure, local wisdom remains the foundation for organizing economic practices and community solidarity. This finding broadens the insight that local wisdom is relevant not only in rural areas, but also in the dynamics of urban society.

Furthermore, the role of local fiscal policy, as demonstrated by Bukhari (2018), demonstrates significant potential in supporting poverty alleviation. However, weak bureaucratic capacity and oversight mechanisms are major obstacles to ensuring the effectiveness of these policies. This finding reinforces the argument of Ibo et al. (2025) that policies based on local wisdom are more effective when integrated with contextual and participatory formal policy instruments. If the government relies solely on formal policies without considering the basis of local values and norms, the policy's effectiveness in reducing structural poverty will remain limited. Therefore, the success of public policy in this context is largely determined by the extent to which the government is able to combine formal approaches with the local wisdom that exists within the community.

Overall, the results of this study expand the literature on local wisdom-based policy in social development. While previous research has focused more on descriptive aspects or limited local contexts (e.g., Musthofa, 2011; Mukramin et al., 2023), this study emphasizes the urgency of making local wisdom the structural basis for formal policies, taking into account contextual variations across regions. The theoretical implication is the need for a new analytical framework

in social welfare science that positions local wisdom as a key variable in public policy. Practically, the results of this study can serve as a reference for regional and central governments in designing more participatory, contextual, and adaptive policies, thereby reducing structural poverty and social inequality in Indonesia. Thus, this study not only strengthens previous findings but also broadens the academic and practical horizons of local wisdom-based social policy.

Conclusion

This study concludes that social welfare policies based on local wisdom in Indonesia have a strategic role in reducing structural poverty and social inequality. Local wisdom serves not only as a cultural heritage but also as social capital that strengthens solidarity, social safety nets, and community participation in development. Findings from various regions indicate that programs that integrate local values, such as mutual cooperation (gotong royong), deliberation (musyawarah), arisan (social savings and credit), and customary-based financial institutions, are more effective in reaching poor groups than formal, top-down policies.

However, policy implementation still faces several obstacles, including weak local bureaucratic capacity, weak coordination and oversight mechanisms, and the erosion of solidarity values due to modernization and urbanization. These conditions create a gap between the potential of local wisdom and its integration into formal policies. Therefore, the success of social policy in Indonesia depends heavily on the government's ability to combine formal approaches with the social forces that exist within communities..

This research's conceptual contribution is to strengthen the literature on local wisdom-based policy by emphasizing the urgency of making local wisdom a key variable in social welfare policy analysis. Methodologically, this research demonstrates the importance of contextual, cross-location studies to map variations in the implementation of local wisdom in social policy. The limitation of this research lies in the limited scope of the literature, which is limited to the last five years, so it does not fully represent long-term dynamics. For future research, more comprehensive exploration involving longitudinal studies, quantitative approaches to measuring economic impacts, and cross-country comparative analysis are recommended to enrich understanding of the integration of local wisdom in social welfare policy.

References

- Aji, S., Septiyaningsih, D. N., Nurhalimah, L., & Pusparani, S. (2025). Implementasi Nilai-nilai Kearifan Lokal Desa Penglipuran dalam Meningkatkan Solidaritas Sosial. *Concept: Journal of Social Humanities and Education*, 4(1), 114–121.
- Amin, S., Ahmad, I., Maricar, F., & Abdulrahman, S. (2019). Local Wisdom as a Social Security Instrument for the Poor in North Maluku, Indonesia. *International Journal of Indonesian Society And Culture*, 11(1), 32–45.
- Bukhari, E. (2018). Kebijakan Dana Desa Dalam Usaha Pengentasan Kemiskinan Penduduk Pedesaan. *Jurnal Administrasi Kantor*, 6(2), 123–132.
- Bureaucracy, S.-L. (1980). Dilemmas of the individual in public services. *New York: Russell Sage Foundation*.
- Ferizaldi, F. (2022). Urgensi Penanggulangan Kemiskinan Berbasis Kearifan Lokal di Kabupaten Aceh Utara. *Jurnal Sosiologi USK (Media Pemikiran & Aplikasi)*, 16(2), 158–169.
- Fitriasari, E. (2022). The Functions of Social Capital and Local Wisdom in Handling Covid-19 Pandemic in West Kalimantan. *International Journal of Science and Society*, 4, 278–288. <https://doi.org/10.54783/ijsoc.v4i4.573>
- Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, 91(3), 481–510.
- Handayani, N., & Abdulkarim, A. (2024). Value learning: integrasi modal sosial bermuatan nilai kearifan lokal tradisi perang topat melalui pembelajaran IPS. *Didaktika: Jurnal Kependidikan*, 13(1), 1051–1062.
- Hidayat, M. A., Dzulkarnain, I., Ruwaida, I., & Kristina, A. (2024). Migrant traders, social capital, and the politics of local wisdom: A descriptive study of Warung Madura networks in Jakarta, Indonesia. *International Journal of Population Studies*, 10(4), 63–76.
- Ibo, H., Augustinah, F., & Sunarya, A. (2025). Pemberdayaan UMKM Berbasis Kearifan Lokal : Studi Kasus Program Dinas Koperasi , UMKM , Perindustrian dan Perdagangan Puncak Jaya Kabupaten Puncak Jaya Papua Tengah. 3(126), 30–37.
- Mukramin, S., Haniah, S., Nawir, M., Ismail, L., & Fatmawati, F. (2023). Pengentasan Kemiskinan Etnis Bajo Melalui Program Merdeka Belajar Kampus Merdeka (MBKM)

- Berbasis Kearifan Lokal. *Jurnal Kebijakan Sosial Ekonomi Kelautan Dan Perikanan*, 13(2), 141–153.
- Musthofa, C. (2011). Kearifan Lokal sebagai Instrumen Pemberdayaan. *Jurnal Masyarakat Berdaya Jurnal Kajian Islam Dan Pemberdayaan Masyarakat*, 1(2).
- Priantara, I. B. T., Sunia, I. W., & Adriati, I. G. A. W. (2024). Evaluating local wisdom's impact on financial success: social capital in building economic resilience during covid-19. *JPPI (Jurnal Penelitian Pendidikan Indonesia)*, 10(4), 254–266.
- Purwanti, P., & Saskara, I. (2022). The Role of Social Capital with Local Wisdom in Household Food Security in Bali Province. *Jurnal Ekonomi Kuantitatif Terapan*, 141. <https://doi.org/10.24843/JEKT.2022.v15.i01.p10>
- Putnam, R. D. (2000). *Bowling alone: The collapse and revival of American community*. Simon and schuster.
- Sagajoka, E., & Fatima, I. (2023). Kearifan Lokal, Modal Sosial dan Pembangunan Berkelanjutan. *ANALISIS*, 13(2), 426–440.
- Suranto, S., & Darumurti, A. (2024). Local wisdom-based policy innovation in Indonesia during 2018-2021. *Journal of Governance and Public Policy*, 11(1), 60–70.