

## **Potential for Empowering Local Wisdom as a Business Opportunity and Village Economic Development**

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### **ABSTRACT**

Local wisdom is a cultural heritage that reflects the identity and character of a community. In Indonesia, the diversity of local wisdom, from handicrafts, traditional arts, to agricultural practices, offers great opportunities for empowering the village economy. It empowers a great potential in encouraging village economic development and opening up sustainable business opportunities. Local wisdom, which includes knowledge, skills and traditions that passed down over generations, can be the basis for innovation and economic sustainability at the village level. The writer discusses how it can be integrated into village economic development strategies. This empowerment potential not only creates new business opportunities, but also contributes to preserving culture and improving the welfare of village communities. By identifying and utilizing local wisdom effectively, villages can develop an inclusive and sustainable economic model, while strengthening their cultural identity in the era of globalization. This study aims to examine the potential of local wisdom as a basis for business development and improving the welfare of village communities. By utilizing the potential of local wisdom, villages can create jobs, increase income and reduce dependence on external assistance. Through a qualitative approach, this study explores various empowerment strategies that can be implemented to optimize this potential.

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### **INTRODUCTION**

Empowering local wisdom is one of the important strategies in promoting sustainable village economic development. Local wisdom, which encompasses knowledge, values, traditions, and social practices passed down through generations by the community, serves as a socio-cultural foundation in everyday life in various regions of Indonesia. This wisdom not only preserves the cultural identity of a community but also has great potential to be developed into innovative business opportunities based on local strengths. By utilizing the potential of local wisdom, village communities can develop a community-based economy, create jobs, and improve the overall welfare of the society.

Empowerment of local wisdom in village economic development involves the wise management of natural and cultural resources. For example, traditional handicrafts, organic agriculture, local cuisine, and community-based tourism development are some real examples that demonstrate how local wisdom can add economic value. In addition, in the context of business, innovation based on local wisdom can enhance the competitiveness of village products in the global market, especially in this modern era where the demand for unique and authentic products is increasing. Therefore, the empowerment of local wisdom as a business opportunity not only contributes to the economic growth of the village but also to the preservation of local culture.

Several, theories support the importance of empowering local wisdom in economic development. The Social Capital Theory proposed by Pierre Bourdieu (1986) explains that social capital, including networks of relationships and norms present in society, can be an asset that encourages collaboration and trust among community members to achieve greater economic goals. In the context of a village, local wisdom is part of the social capital that can be managed to support community economic development. Furthermore, the Sustainable Development Theory introduced by Gro Harlem Brundtland (1987) underscores the importance of wise management of natural resources to meet the needs of the current society without sacrificing the interests of future generations. Local wisdom, which often involves traditional ecological practices and sustainability in environmental management, can serve as the foundation for an economic development model that does not harm natural resources.

The Open Innovation Theory (Chesbrough, 2003) is also relevant in this context, where local wisdom can be seen as a source of innovation that can be combined with modern technology and a global market approach to create new products or services. The integration of local wisdom with modern innovation allows villages to produce products with high economic value while maintaining their cultural identity. Based on these theories, the empowerment of local wisdom has great potential to drive economic development based on local resources and empower rural communities. In order to realize this, support is needed from various parties, including the government, business actors, and the community itself, so that local wisdom can be optimized as one of the driving forces of village development.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **Institutional setting**

In the context of sustainable village economic development, institutional arrangements serve as a framework that regulates how local wisdom potential, community empowerment, business opportunities, and sustainable development can be integrated and utilized. A good institutional environment allows for synergy among all these elements, resulting in more effective and sustainable village development.

**Table 1. Institutional setting of local wisdom potential, community empowerment, business opportunities, and village economic development**

<b>Factor</b>	<b>Supporting Institutional Setting</b>	<b>Impact on the Village's Economic Potential</b>
Local Wisdom	<ul style="list-style-type: none"> <li>- Policies for the protection and preservation of local culture.</li> <li>- Culture-based educational programs implemented by schools and communities.</li> <li>- Laws protecting local intellectual property rights.</li> </ul>	<ul style="list-style-type: none"> <li>- Cultural Tourism Development: Increasing tourist visits through festivals, art performances, or cultural museums.</li> <li>- Local Products: Development of handicrafts and local arts.</li> </ul>
Community Empowerment	<ul style="list-style-type: none"> <li>- Skills training programs from government and private institutions.</li> <li>- Collaboration with universities and research centers for community</li> </ul>	<ul style="list-style-type: none"> <li>- Economic Independence: The community is able to manage their own businesses.</li> <li>- Local Capacity Building: Training</li> </ul>

	capacity building. - Village cooperatives for joint asset management.	provides relevant skills for local businesses.
Business Opportunities	- Regulatory support for UMKM in villages. - Microfinance facilities through cooperatives or village banks. - Establishment of BUMDes to manage local businesses.	- UMKM Development: Enhancing businesses based on local potential. - New Job Opportunities: Small and medium enterprises create new jobs in the village.
Sustainable Economic Development	- Regulations for sustainable natural resource management. - Green infrastructure development programs (water, renewable electricity). - Support for environmentally friendly initiatives.	- Economic Sustainability: Business development without harming the environment. - Environmental Sustainability: Communities maintain ecosystems while reaping economic benefits.
Combination of Local Wisdom + Empowerment	- The involvement of the village government in supporting local wisdom-based enterprises. - Training and certification of local cultural products. - Village educational institutions support cultural programs.	- Enhancement of Cultural Economic Potential: Commodification of local wisdom into commercial products. - Strengthening Local Identity: The community values and preserves local wisdom.
Local Wisdom + Business Opportunities	- Policies for promoting products based on local wisdom. - Government programs for exporting cultural products. - Formation of entrepreneurial communities based on culture and tradition.	- Village Economic Diversification: Local products gain a wider market. - Village Branding: The village is known for its distinctive and authentic flagship products.
Empowerment + Business Opportunities	- Financial support for UMKM and entrepreneurs. - Entrepreneurship training by local institutions or universities. - Cooperative or BUMDes funding schemes for small businesses.	- Growth of UMKM: The community is more productive in managing local businesses. - Increased Village Income: MSMEs and local businesses enhance the income and quality of life for residents.
All Factors Together	- Integration between government policies, education, cooperatives, and BUMDes to support synergy among local wisdom, empowerment, and sustainable business. - Cooperation between the public and private sectors.	- Independent Village: The village economy grows sustainably with local wisdom as its foundation. - Prosperous Community: A thriving village economy while preserving the environment and local traditions.

**Agency theory****1. Empowerment of Local Wisdom and Rural Economic Development**

Local wisdom is an important element in the social, cultural, and economic life of rural communities. According to Geertz (1963), local wisdom is a set of knowledge and values inherent in a local community that is passed down through generations. This local wisdom can serve as a foundation in developing empowerment strategies that can drive sustainable village economic development. Research by Rochmawati & Nugroho (2020) shows that local wisdom, such as traditional agricultural practices, natural resource management, and handicrafts, can be integrated into the business sector and creative industries in villages. The theory of sustainable development proposed by Brundtland (1987) emphasizes the importance of wisely utilizing natural resources and local culture to maintain the balance between current needs and preservation for future generations. Local wisdom, especially in the context of resource management, often already contains principles of sustainability that support village economic development without harming the environment. Research by Sutarto (2014) also highlights that the empowerment of local wisdom can enhance the competitiveness of local products in the global market. The strength of local wisdom lies in its authentic values, creativity, and closeness to nature, which are increasingly favored by modern consumers. This is related to Bourdieu's (1986) theory of social capital, which states that social capital in the form of social networks and local cultural values can strengthen cooperation among residents in achieving common economic goals.

**2. Business Opportunities Based on Local Wisdom**

Local wisdom can be transformed into business opportunities through innovation and product development. Chesbrough (2003) in the open innovation theory states that innovation can originate from various entities, including local communities. In the context of village empowerment, local wisdom can be utilized as a source of unique product and service innovations, ranging from handicrafts, organic agricultural products, to culture-based tourism. Kurniawan and Amri (2017) researched how traditional crafts, such as batik and bamboo weaving, based on local wisdom, can create high-value business opportunities in both domestic and international markets. They found that these products not only support the economic development of the village but also preserve cultural heritage. This is also supported by Ardiansyah (2021) research, which found that villages developing products based on local wisdom successfully increased community income through tourism and the creative economy.

**3. Village Economic Development Through the Empowerment of Local Wisdom**

Sustainable village economic development requires an approach that directly involves the community. Chambers' (1997) participatory development theory emphasizes the importance of involving the community at every stage of development so that the implemented programs align with local needs. Empowering local wisdom can help villages design an economic model based on local potential and empower the community independently. A study by Sutarto (2014) shows that tourism based on local wisdom can be an important sector in rural economic development. By leveraging cultural wealth, customs, and natural beauty, villages can develop tourist destinations that attract both local and international visitors. This directly boosts the village's economy and creates new job opportunities.

## **Hypothesis Development**

H<sub>1</sub>: Empowerment of local wisdom has a positive impact on business opportunities in the village.

H<sub>2</sub>: Empowerment of local wisdom has a positive impact on village economic development.

H<sub>3</sub>: Business opportunities based on local wisdom mediate the relationship between the empowerment of local wisdom and rural economic development.

## **METHODS**

This research uses a qualitative approach with the aim of exploring the potential of local wisdom empowerment as a business opportunity and rural economic development. The qualitative approach was chosen because this research focuses on a deep understanding of the phenomenon of local wisdom empowerment and its impact on the rural community's economy. The research methods used include:

### **1. Research Design**

This study employs a case study design by selecting several villages that have successfully developed businesses based on local wisdom. Case studies allow researchers to deeply explore the strategies for empowering local wisdom and their impact on village economic development. This research will be conducted in villages that have strong local wisdom potential, such as handicrafts, organic farming, or culture-based tourism.

### **2. Data Collection**

Data collection techniques are carried out through in-depth interviews, field observations, and documentation studies. Interviews will be conducted with several parties, including village heads, local business actors, and community leaders involved in the development of local wisdom. Field observations are used to directly observe the production processes or activities based on local wisdom, as well as their impact on the community. Documentation studies are conducted by collecting secondary data from government reports, journals, and publications related to village economic development and local wisdom.

### **3. Data Analysis**

The data obtained from interviews and observations will be analyzed qualitatively using thematic analysis methods. The steps of thematic analysis include transcribing interviews, coding data, identifying main themes, and drawing conclusions. Findings from primary data will be compared with existing literature to identify gaps or confirm findings.

### **4. Data Validity**

To ensure data validity, this research uses triangulation techniques, where data from interviews, observations, and documentation will be compared and verified against each other. This triangulation aims to enhance the credibility and reliability of the research findings.

## **RESULTS**

Based on the research conducted through interviews, observations, and documentation studies, several key findings were identified regarding the potential empowerment of local wisdom as a business opportunity and its contribution to village economic development. Here are the main findings of the research:

**1. Identification of Local Wisdom Potential**

The local wisdom in the villages that are the subjects of the research is very diverse, ranging from handicraft products, culinary traditions, to organic farming practices. Examples of local wisdom-based products include batik, bamboo weaving, carving art, and traditional herbal medicine. Each village has different local wisdom potential, but they share the commonality of utilizing the natural resources available around the village and processing them traditionally, reflecting cultural values and ancestral heritage.

**2. Development of Business Opportunities Based on Local Wisdom**

Local wisdom has proven to be developable into high-value economic business products. In the empowered villages, local products such as handicrafts and traditional culinary items have successfully entered regional and even international markets. Through training and support from the government and non-governmental organizations, village communities can improve product quality and expand their marketing efforts.

**3. Improvement of Community Welfare**

Empowerment of local wisdom has a direct impact on the welfare of rural communities. In several villages studied, the community's income increased after local wisdom was empowered into business opportunities. The community that previously worked as subsistence farmers can now diversify their sources of income by producing handicrafts or providing services for tourists. In addition, the presence of local wisdom-based businesses creates new job opportunities for village residents, especially for women and the younger generation who previously found it difficult to get jobs in the formal sector. This has a positive social impact because it reduces urbanization and retains the population in the villages.

**4. Constraints and Challenges**

Although the empowerment of local wisdom shows positive results, there are several constraints faced by the village community, including limited access to broader markets, lack of business management skills, and low access to business capital. This challenge remains an obstacle for villages that want to fully develop their local wisdom potential. In addition, most products based on local wisdom still compete with modern products produced by the mass industry. This demands an improvement in product quality and innovation in marketing so that local products can be more competitive in the global market.

**5. The Role of the Government and Supporting Institutions**

The empowerment of local wisdom as a business opportunity and rural economic development heavily relies on support from local governments and supporting institutions. Training programs, business mentoring, and access to financing are very helpful for rural communities in developing their businesses. Several initiatives such as local product exhibitions and village tourism promotions have also successfully opened up broader market opportunities for products based on local wisdom.

**6. Contribution to Village Economic Development**

The results of this study indicate that the empowerment of local wisdom significantly contributes to village economic development. Villages that successfully empower local wisdom experience an increase in income, create jobs, and improve the quality of life for the community. In addition, these villages also show improvements in infrastructure development, especially related to the tourism sector, such as accommodation facilities, transportation, and tourist information centers.



## **DISCUSSION**

### **Explanation of Discussion 1**

H1: The empowerment of local wisdom has a positive impact on business opportunities in the village.

Empowerment of local wisdom refers to efforts to develop the potential within rural communities based on local knowledge, traditions, and culture. This hypothesis states that the empowerment can produce products with high market value. Local wisdom includes traditional practices such as handicrafts, specialty food products, and the utilization of local natural resources that have their own uniqueness. Because of this uniqueness and authenticity, products based on local wisdom can attract the interest of both domestic and international markets that are increasingly seeking authentic, environmentally friendly, and culturally based products. For example, handicraft products such as batik, wood carvings, and traditional foods processed using local techniques have high economic potential if marketed well. In other words, this hypothesis states that empowering local wisdom can transform the potential in the village into business opportunities, creating products with high market value that are in demand.

### **Explanation of Discussion 2**

H2: The empowerment of local wisdom has a positive impact on village economic development.

Empowering local wisdom is not just about creating products to sell, but also about improving the overall welfare of the village community. This hypothesis focuses on how the empowerment of local wisdom can improve the economic conditions of rural communities by creating new job opportunities and increasing income. When the village community is involved in the development of products based on local wisdom—whether as craftsmen, producers, or tourism managers—this opens up job opportunities and reduces unemployment in the village. Additionally, involvement in this local wisdom-based business allows the community to earn better income, improving their standard of living. With this improvement in welfare, the overall economic development of the village can progress further, as the village community will become more economically independent and less reliant on the formal sector in urban areas.

### **Explanation of Discussion 3**

H3: Business opportunities based on local wisdom mediate the relationship between the empowerment of local wisdom and rural economic development.

This third hypothesis proposes that local wisdom-based business opportunities act as a bridge (mediator) between the empowerment of local wisdom and rural economic development. In this case, business opportunities that arise from the empowerment of local wisdom—such as handicraft products, organic farming, or culture-based tourism—serve to strengthen the impact of that empowerment on village economic development. If businesses based on local wisdom succeed, the relationship between the empowerment of local wisdom and village economic growth will become stronger. For example, when the village community successfully develops and runs a sustainable traditional craft business, the success of that business will increase the community's income, expand job opportunities, and strengthen the village's economy. Thus, the success of businesses based on local wisdom not only strengthens the community's position in the market but also accelerates the broader economic development of the village.

## CONCLUSION

The results of this study reveal that the empowerment of local wisdom has great potential as a sustainable business opportunity and can significantly contribute to the economic development of villages. With the right support, local wisdom can be developed into a productive economic sector that not only preserves local culture and traditions but also enhances the welfare of village communities.

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