

Local Wisdom and Regional Sustainable Economic Development

Addiarrahman
Faculty of Islamic Economics and Business
 UIN Sultan Thaha Saifuddin Jambi
 Jambi, Indonesia
 addiarrahman@uinjambi.ac.id

Yusdani
Faculty of Islamic Studies
 Islamic University of Indonesia
 Yogyakarta, Indonesia
 yusdani@uui.ac.id

Abstract— *By using the post-modernist development paradigm, this paper aims to formulate a framework of regional sustainable economic development based on local wisdom. Channels of local wisdom, according to the author, are very appropriate to unite the people's economic framework in each region. Because local wisdom, in addition to functioning as social capital for economic development, is also a fundamental force for the creation of the integrity of the Republic of Indonesia.*

Keywords: *Local Wisdom, Sustainable Development, Social Capital*

I. INTRODUCTION

What are the fundamental problems facing this nation, especially in the field of economic development? Why as a country that has abundant wealth, Indonesia is still trumped to this day in building the welfare of its people? Even today, 28, 6 million or the equivalent of 11.66% of Indonesia's population is in poverty and 7.17 million are included in the unemployment group (BPS: 2013). At the same time, the debt burden increases. This condition is exacerbated by the chaotic politics, corrupt behavior, human rights violations, lame law enforcement, and in the Indonesian economy are being hit by a triple crisis, namely the energy crisis, food security, and the environment (M. Dawam Rahardjo: 2013, 13) in as well as the problem of dependence on the financial sector.

To this question, various answers can be put forward. However, this problem boils down to the paradigm of Indonesia's economic development which is still considered to perpetuate the colonial heritage, thus making this nation and country subordinate to developed countries. This means that the paradigm error makes Indonesia seem to have no economic sovereignty and lead to mismanagement; abundance of wealth does not bring prosperity to the people. On the contrary, it is the foreigners and a handful of the people and the corruptors who enjoy the results.

Basically, we have a paradigm framework for economic development that has the spirit of strengthening the people's economy. Siding fully for the welfare of the people. The paradigm is contained in the notion of a people's economy or people's economy. However, various pressures from foreign interests made the idea not implemented well, even sinking into the flow of neoliberalism. At this point, regional autonomy in principle opens up opportunities for regions to develop their economies based on a populist economic framework. Isran Noor in this case has taken an important position in the development of a people-based economy (2012).

The next question is, how can this people's economic framework be developed in other regions? This is in view of the tendency of a handful of elements to use regional autonomy only to obtain the position of head of the region and master his economic potential. Even more alarming is the disintegration effort by triggering local conflicts that take advantage of primordial sentiments. In addition, there is also a factor of the central government being trapped in defining regional autonomy. As trapped in the formulation of Laws (for example the case of Law No.4 / 2009 concerning Mineral and Coal Mining, Law No.41 / 1999 as amended by Law No.19 / 2004 on Forestry, these two Laws were sued by Mr. Isran Noor as East Kutai District Head to the Constitutional Court), central policy making which has implications at the regional level, as well as many other traps that force the regions to be trapped by free market reasoning (neoliberalism).

II. THE POST-MODERNIST DEVELOPMENT PARADIGM

The development of human civilization experienced a very extraordinary movement after treading the modern era. Science and technology are developing rapidly. According to that, the movement of the world economy gave birth to developed countries that have sophisticated technology or also called Eurocentrism (Samir Amin, 2009). At the same time, developing countries are interpreted as countries that do not have the technology to develop their countries, giving birth to the theory of dependency. Namely that the economy in developing countries (third countries) will be very dependent on developed countries. A development theory that has clearly failed to deliver people to prosperity (Mansur Fakhri, 2012). In the next stage, development in developing countries is interpreted as modernization. At present, forms of dependency are no longer limited to economic problems. Indonesia is even trapped in multidimensional crisis, namely dependence on food, energy, the environment, and finance as a result of the triple crisis.

The essence of modernization is human-centered development. The trick is to exploit natural resources to achieve the prosperity of the present generation. In this way, modernization burdens and sacrifices future generations by polluting the environment, damaging ecosystems, and threatening the preservation of nature. At the same time, modernization marginalizes the economic activities of the people on one side, and provides maximum profits for the owners of capital (bourgeois-foreign-capitalists) (M. Dawam Rahardjo: 2013, 7).

Learning from this experience, it is time for the paradigm of regional economic development in the context of

safeguarding the Unitary State of the Republic of Indonesia directed at the postmodernist development paradigm. In principle, this paradigm has been stated in Pancasila and Article 33 of the 1945 Constitution. Based on this paradigm, according to Yudi Latif, the most tangible and tangible dimension of the manifestation of the value of Pancasila is social justice. The economic regime determines the black and white of the actualization of Indonesia's economic paradigm (Yudi Latif: 2013, 5). Ironically, the government in this case seems to turn on the turn signal to the left or social justice oriented ideas, but precisely deviates to the right or free market (neoliberalism).

There are five characteristics of the postmodernist economic development paradigm (M. Dawam Rahardjo: 2013, 8-9). First, it returns to the preaching and national identity, namely the ideals of the proclamation reflected in the original and pure Pancasila and the 1945 Constitution. Second, rebuilding tradition, so that development becomes a continuation of the nation's history and the progressive and dynamic development of the nation's culture. At this point, local wisdom becomes the basis for regional economic development. Third, decentralization and the distribution of development activities equally. Fourth, laying back the foundations of development on a democratic basis which practically means building the people's economy. Fifth, make development as a people's movement to realize the ideals of a great, independent, sovereign, sovereign, just and prosperous Indonesia.

III. LOCAL WISDOM AND SUSTAINABLE DEVELOPMENT

Regional efforts in increasing the growth and empowerment of the people's economy will be better if juxtaposed with local wisdom (local wisdom). Because local wisdom is a set of ideas, ideas, creativity contained in a community in a place that contains the values of wisdom, full of wisdom (Sartini, 2010). Local wisdom according to James Coleman, Francis Fukuyama is a social capital that has the power to stem the flow of globalization (neoliberalism) with glocalization (Francis Fukuyama, 2002: 23-37). In fact, Katherine N. Rankin formulated social capital (local wisdom) as the basis for microfinance in the political context of development in Nepal (Katherine N. Rankin, 2002: 1-24). On the other hand, local wisdom becomes a shield for the crisis of morality of the authorities that is very detrimental to the people.

In the context of the postmodernist economic development paradigm, local wisdom is positioned as a tool for realizing sustainable development, which is a movement of economic development that involves the active role of the community to realize its welfare and for future generations. Thus, development is not an effort to eradicate the wisdom values that have become the traditions of Indonesian human life (Pancasila people) by blindly importing patterns of external life. Such an attitude is the same as mortgaging the neck of Indonesian people's sovereignty in the sword of modernization which reveals values and norms as something that is unscientific, non-sense.

Indonesia is not only rich in Natural Resources (SDA) and also Human Resources (HR). Because actually, behind it all of Indonesia has a wealth that is very unlimited, namely local wisdom (local wisdom). All this wealth stretches along the Indonesian archipelago. More than that, diversity is bound by

Pancasila. This means ignoring local wisdom values means the release of Pancasila as the spirit of the Unitary State of the Republic of Indonesia (NKRI). In other words, reviving local wisdom in the regional development movement is the same as reviving Indonesia's wisdom network, thus protecting it from the turmoil of globalism. global greed born united in free market reasoning. What does it mean for Indonesia without these three assets? Regional autonomy, in this case, should strengthen the values of local wisdom.

Then, how to translate the values of local wisdom so that it becomes the basis for sustainable regional economic development? Consider the following figure:

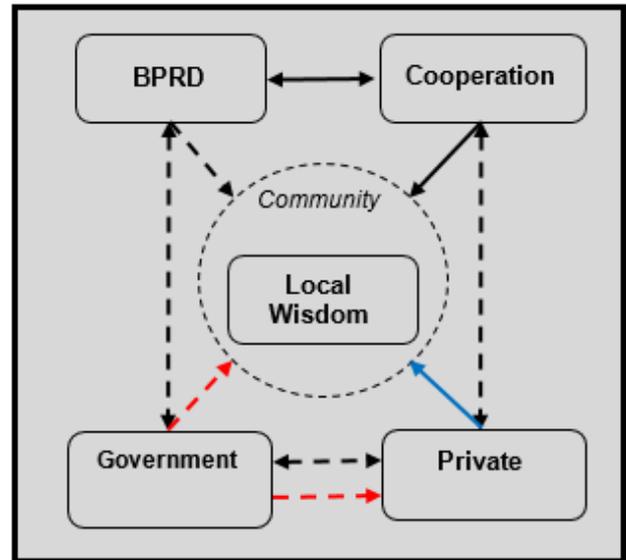


Figure 1. Model of Regional Sustainable Economic Development Based on Local Wisdom

The community in the picture has two roles at once, namely objects and subjects (actors). As an object, the community is the party that receives services from economic agents: Banks (BPRD), Cooperatives (microfinance), Government, and Private. Meanwhile, as actors, the community together with economic agents develops shared prosperity. The spirit of togetherness is bound by local wisdom held by the community in an area. As for the role of each agent is described as follows:

IV. BPRD AND COOPERATIVES

Regional People's Credit Bank play the role of agents that support the capital needs of the community to develop their businesses, especially in the MSE sector. In addition, the BPRD also acts as an educational agent for the community. Namely, by providing guidance indirectly about economic development, finance, business prospects, and so forth. The function of this education is to make people have a strong understanding of banks (bankable society), as well as being smart in analyzing economic and business opportunities for the development of their businesses.

However, BPRD certainly has limitations to be actively and directly involved. Therefore, BPRD synergizes with cooperatives and other microfinance institutions such as BMT / KJKS (sharia microfinance institutions) which are currently developing rapidly. This synergy makes it easy for rural communities to get access to capital. Moreover, the inclusion

of an inclusive economic system that facilitates the creation of banks (branchless) will further strengthen this function. In addition, the existence of cooperatives can be a party that provides guidance for the lower classes in starting a business. This is needed considering that many people only have skills but are not capable in management, marketing, product innovation, and so on. This means that cooperatives must be seriously addressed and managed by professional and insightful experts.

V. THE GOVERNMENT

The government is absolutely certain to play a vital role for regional development. It has two main functions, namely as policy makers and regulators for the implementation of these policies in a good, correct, effective and efficient manner. This regulatory task is not only directed at the community, but more importantly to the private sector. The overall regional government policy must be directed towards the welfare of the people. Local governments are also demanded to be able to coordinate intensively with the central government, so that policies at the central level do not harm regional interests, as in the case of Law No. 4/2009.

As for the private sector, regulations are made so that the private sector does not behave arbitrarily; just want to get profits without caring about the growth and empowerment of the people's economy. Various cases of private naughty behavior (both domestic and foreign) are really very detrimental to the state, and certainly the region. Natural damage, social imbalance, exploitation of human labor, etc. are sufficient examples and must be a commitment of the regional government to control so that it does not happen again. Even back, the naughty behavior of private entrepreneurs was allegedly the mastermind of horizontal and vertical conflicts that occurred in several areas, such as Mesuji in Lampung and OKU in South Sumatra.

VI. PRIVATE SECTORS

That regional development requires a private role, cannot be denied. However, this does not mean letting private parties, both domestic and foreign, exploit Indonesia's wealth in various regions. That is, the private sector must commit to bringing prosperity to the community with the capital invested, on the contrary not just for profit alone. This commitment is also related to preserving the environment, because so far the cost of damage caused by exploitation activities is far higher than the costs incurred to exploit nature.

For this reason, local governments must closely monitor economic activities carried out by the private sector. At the

same time, it urges optimization of the Corporate Social Responsibility (CSR) function. For example for the construction of transportation facilities, health, providing educational scholarships for underprivileged children, achievers, and so forth. On the other hand, community development from the private sector must be optimized as well. All of this must be done by means of good communication, but with a firm attitude. It is unfortunate that some regional heads actually use the private sector to enrich themselves.

VII. CONCLUSION

The regional development agenda by reviving the values of local wisdom is an urgent need so that regional development is not too far trapped in the current of global greed. Postmodernist development demands that this be carried out by referring to the Pancasila and the 1945 Constitution. Modernization in development has failed, and various weaknesses in regional economic development can be overcome by involving the community and its local wisdom. The local wisdom network that is turned on in each region becomes a torch that revives the values of Pancasila. In addition, being a shield for various forms of greed, both global and local greed. Thus, in the context of Indonesianness, the spirit of regional autonomy must be interpreted as an effort to revive the values of local wisdom as social capital for regional development.

REFERENCES

- [1] Fukuyama, Francis. 2002. "Social Capital and Development," SAIS Review, Vol. 22. No. 1 Winter-Spring
- [2] Rahardjo, M. Dawam. 2012. *Pembangunan Pascamodernis: Esai-esai Ekonomi Politik*. Jakarta : Insist Press
- [3] Rankin, Katharine N. 2002. "Social Capital, Microfinance, and the Politics of Development." *Feminist Economics*. 8(1)
- [4] Sartini. 2004. "Menggali Kearifan Lokal Nusantara: Sebuah Kajian Filsafati." *Jurnal Filsafat*. Jilid 37, Nomor, Agustus
- [5] Supriyanto. 2006. "Pemberdayaan Usaha Mikro, Kecil, dan Menengah (UMKM) sebagai salah satu Upaya Penanggulangan Kemiskinan." *Jurnal Ekonomi & Pendidikan*. Vol. 3 No. 1
- [6] Tambunan, Tulus. 2012. *Usaha Mikro, Kecil, dan Menengah di Indonesia: Isu-isu Penting*. Jakarta : LP3ES
- [7] Yudi Latif, "Pancasila, Kunci Bangsa Indonesia; Portofolio Ekonomi Paling Destruktif", *Kompas*, Selasa 4 Juni 2013