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Integrating Local Wisdom and Financial Culture on Poverty Alleviation: Evidence from Amungme and Kamoro Communities in Mimika Regency

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Abstract: The increasing poverty rate in Mimika Regency indicates that abundant natural resource wealth has not significantly improved the welfare of indigenous communities, particularly the Amungme and Kamoro tribes. This condition highlights the limitations of conventional development approaches that primarily emphasize economic growth while neglecting local socio-cultural values. Therefore, a more inclusive and sustainable development strategy that integrates local wisdom with adaptive financial practices is urgently needed. This study aims to analyze the effect of local wisdom on poverty alleviation and to examine the mediating role of financial culture in this relationship. The research employed a quantitative explanatory approach. Data were collected from 100 respondents from the Amungme and Kamoro communities using purposive sampling techniques and analyzed through Structural Equation Modeling–Partial Least Squares (SEM-PLS). The findings reveal that local wisdom has a positive and significant effect on financial culture but does not directly influence poverty alleviation. In contrast, financial culture has a positive and significant effect on poverty alleviation and significantly mediates the relationship between local wisdom and poverty alleviation. These findings suggest that the socio-cultural values embedded in local wisdom can contribute more effectively to community welfare when transformed into adaptive and healthy financial practices. This study emphasizes the importance of strengthening culturally based financial culture as a strategy for promoting inclusive, participatory, and sustainable poverty alleviation among indigenous communities living in extractive industry regions. The study also contributes to the literature on cultural finance and indigenous community development in resource-rich areas.

Keywords: Local Wisdom, Financial Culture, Poverty Alleviation, Indigenous Communities.

INTRODUCTION

Poverty alleviation remains one of the primary priorities in the global development agenda (Mansi et al., 2020; Hajad et al., 2023), particularly in developing countries (Rasul &

Karki, 2026), that continue to face structural inequality despite possessing abundant natural resource potential (Nkoa et al., 2024). In many developing countries, economic growth driven by extractive industries has not improved people's welfare evenly, because excessive dependence on natural resources often exacerbates social inequality and undermines inclusive economic development (Moti, 2019; Apergis & Katsaiti, 2018; Prieto et al., 2022). This condition is widely recognized as the resource curse, a paradox in which regions with abundant natural resources continue to experience persistent poverty due to weak governance, unequal distribution of development benefits, and limited community participation in economic transformation (Anyanwu et al., 2021). Consequently, poverty in resource-rich developing regions cannot merely be understood as a problem of limited economic resources, but also as a reflection of development systems that have failed to integrate local social and cultural capacities into modern economic structures.

Mimika Regency in Central Papua Province is a prime example of this phenomenon. Despite being recognized as a region rich in natural resources through PT Freeport Indonesia's mining activities, the poverty rate in Mimika Regency remains relatively high (Bakar, 2024). The poverty rate increased from 13.55% in 2023 to 14.18% in 2024 (Central Bureau of Statistics of Mimika Regency, 2025), significantly higher than the national poverty rate of 8.57% (Central Bureau of Statistics of Indonesia, 2025). This situation indicates that economic growth driven by the mining sector has not significantly improved the welfare of the community, especially the Amungme and Kamoro tribes, the indigenous inhabitants of the region. The persistence of poverty amid abundant natural resource wealth indicates that mining-driven economic growth has not been sufficiently inclusive, particularly for indigenous communities such as the Amungme and Kamoro tribes (Bakar, 2019).

In response to these challenges, growing attention has been directed toward local wisdom as an alternative approach to promoting more inclusive and sustainable development (Hayat et al., 2024). Previous studies have made important contributions by demonstrating that local wisdom can strengthen social solidarity, collective participation, and community resilience, thus supporting poverty alleviation efforts (Ruja & Idris, 2023; Permana et al., 2023; Kurniyanto et al., 2023; Alawiyah & Setiawan, 2021; Nartin et al., 2024). Theoretically, this perspective is related to the concept of social capital, which emphasizes the role of trust, social networks, and shared norms in enhancing collective well-being and reducing vulnerability to poverty (Putnam, 2000). In this context, local wisdom can support poverty alleviation both directly by strengthening social cohesion and community solidarity (Hatu et al., 2019), and indirectly by shaping economic behavior and financial decision-making within indigenous communities (Guiso et al., 2006).

Although the literature on local wisdom and poverty alleviation continues to grow, several important research gaps remain insufficiently explored. First, most previous studies have predominantly relied on descriptive and qualitative approaches, thereby limiting empirical explanations regarding the causal mechanisms linking local wisdom and poverty alleviation. Second, prior research has generally positioned local wisdom as a direct determinant of community welfare, while the processes through which cultural values are transformed into adaptive economic behavior remain underexplored. This issue is particularly relevant in indigenous communities whose traditional communal economic systems often face difficulties adapting to modern economic structures that emphasize efficiency, capital accumulation, and individual profit orientation (Haddad & Hornuf, 2019). Consequently, local wisdom alone may not be sufficient to improve economic welfare unless it is supported by adaptive financial practices.

To address these gaps, this study proposes financial culture as a mediating variable linking local wisdom and poverty alleviation among the Amungme and Kamoro indigenous communities in Mimika Regency. Financial culture refers to a set of values, norms, beliefs, and habits that influence how individuals and communities manage economic resources and make

financial decisions (Zhyliakova et al., 2022).). In practice, financial culture plays a crucial role in shaping financial behavior, financial planning, rational consumption, and the long-term economic resilience of communities (Tyurikov & Kunizheva, 2024; Nadler & Breuer, 2019). Therefore, integrating financial culture with local wisdom values is expected to help indigenous communities adapt to the modern economic system without losing their social and cultural identity.

The persistence of poverty in Mimika Regency, particularly among the Amungme and Kamoro indigenous communities, highlights the need for a more contextualized development strategy. This condition underscores the importance of research that not only explores the role of local wisdom but also examines how financial culture can strengthen the effectiveness of traditional values in poverty alleviation efforts. Accordingly, this study is motivated by three main considerations. First, this study seeks to examine the role of local wisdom in poverty alleviation among the Amungme and Kamoro communities. Rooted in the values of solidarity, cooperation, and communal ownership, local wisdom has the potential to become an instrument for more equitable development (Sagajoka & Fatima, 2023). However, the extent to which these values contribute directly to poverty alleviation remains underexplored empirically. Second, this study emphasizes the importance of financial culture as an adaptive mechanism capable of connecting local wisdom values with modern economic systems (Mugni et al., 2023). Existing studies rarely examine the role of financial culture in poverty alleviation, particularly within indigenous communities that continue to practice communal economic systems. Therefore, by positioning financial culture as a key variable, this study aims to fill this gap by investigating whether sound and structured financial practices can strengthen the effectiveness of local wisdom in reducing poverty. Third, this study investigates the causal relationships among local wisdom, financial culture, and poverty alleviation using a quantitative approach. Existing studies on local wisdom and poverty alleviation have largely been descriptive and narrative in nature, resulting in limited understanding of the causal mechanisms linking these variables. Consequently, empirical evidence based on quantitative analysis remains scarce. To address this gap, this study employs Structural Equation Modeling (SEM), which enables a more comprehensive analysis of both direct and indirect relationships among variables.

Based on these considerations, this study offers theoretical, empirical, and practical contributions. Theoretically, this study extends the literature on local wisdom and poverty alleviation by incorporating financial culture as a mediating variable. This framework provides a new perspective on how local wisdom values can be transformed into adaptive economic practices within modern economic systems. Furthermore, by applying a quantitative approach, this study complements previous research that has predominantly relied on descriptive-narrative methods.

Empirically, through a case study of the Amungme and Kamoro indigenous communities in Mimika Regency, this study provides a concrete understanding of the socio-economic dynamics in a region characterized by high inequality. The findings are expected to demonstrate the continued relevance of local wisdom as social capital and the extent to which financial culture can strengthen its role within indigenous communities. Thus, this study contributes empirical evidence that may serve as a reference for future studies conducted in regions with similar characteristics.

Practically, this study provides policy recommendations for local governments, financial institutions, and community organizations to design empowerment programs that are culturally grounded while simultaneously strengthening financial literacy and financial culture among indigenous communities. Such strategies are expected to foster a more inclusive, participatory, and sustainable approach to poverty alleviation. By integrating local wisdom and financial culture, development in Mimika Regency may become more supportive of indigenous communities and gradually reduce dependence on the mining sector.

Based on the foregoing discussion, this study aims to analyze the influence of local wisdom on poverty alleviation and to examine the mediating role of financial culture in the relationship between local wisdom and poverty alleviation among the Amungme and Kamoro communities in Mimika Regency.

METHOD

This explanatory research, using a quantitative approach, aims to examine the causal relationships among local wisdom, financial culture, and poverty alleviation among the Amungme and Kamoro indigenous communities in Mimika Regency, Central Papua Province. The study location was selected due to the persistently high poverty rate despite the region's abundant natural resource potential.

To support this approach, primary data were collected through questionnaires distributed to community members familiar with local wisdom practices, financial culture, and household economic conditions. The study population consisted of the Amungme and Kamoro communities. A purposive sampling technique was employed, with community leaders, heads of households, local economic actors, and indigenous community members selected as respondents based on predetermined criteria. The sample size was determined using the formula proposed by Lwanga & Lemeshow, 1991, at a 95% confidence level, with a Z value of 1.96, a population proportion of 0.5, and a margin of error of 0.1, the minimum required sample size was 96 respondents. To maintain proportionality and facilitate data analysis, the sample size was rounded up to 100 respondents.

To ensure the instrument's suitability within the cultural context of the Amungme and Kamoro communities, several adaptation procedures were undertaken, including contextual adaptation, expert judgment involving development economics academics and local community leaders, and a readability test (*pre-test*). Before the main survey, a pilot study was conducted involving 30 respondents with characteristics similar to those of the target population. The pilot test results indicated that all questionnaire items had corrected item-total correlation values above 0.30, thereby satisfying the criteria for construct validity (Leech et al., 2005). In addition, the Cronbach's Alpha values for all variables exceeded 0.70, indicating good instrument reliability.

Data analysis was conducted using Partial Least Squares–Structural Equation Modeling (PLS-SEM), as this method is suitable for testing both direct and indirect causal relationships and is appropriate for relatively small sample sizes. The analysis procedure included outer model evaluation to assess instrument validity and reliability, inner model evaluation to examine structural relationships among latent variables, and hypothesis testing to identify the direct effects and the mediating role of financial culture in strengthening the influence of local wisdom on poverty alleviation.

In this study, the local wisdom variable was measured based on Mitchell's dimensions as adapted by Amin & Ritonga (2024), which include local knowledge, local values, local skills, local resources, local decision-making mechanisms, and local group solidarity. The financial culture variable was measured using dimensions adapted from Tyurikov & Kunizheva (2024), including financial planning, rational consumption behavior, financial decision-making, and risk awareness. Meanwhile, the poverty alleviation variable was measured using a multidimensional approach based on Pham & Mukhopadhaya (2022), encompassing monetary, education, health, and housing and basic services dimensions. Within the PLS-SEM framework, the poverty alleviation variable was treated as a reflective latent construct, whereby the latent score was empirically generated through outer model estimation based on the loading factor values of each indicator. This approach enables more objective construct formation while minimizing subjectivity in determining indicator weights.

To improve estimation accuracy and reduce omitted variable bias, this study incorporated several control variables, namely age, education level, and infrastructure access. All control

variables were measured using an ordinal scale. Age was categorized into five age groups, education level was determined based on respondents' highest formal educational attainment, and infrastructure access was measured according to the ease of access to roads, transportation, electricity, and communication services using a five-point scale ranging from very low to very high. These variables were treated as single-item constructs and included in the inner model as exogenous variables to control for their effects on endogenous variables, thereby improving the accuracy of the estimated relationships among the main constructs and enhancing the internal validity of the study.

RESULTS AND DISCUSSION

Outer Model Test

The outer model evaluation in this study was conducted by assessing construct reliability, convergent validity, and discriminant validity. The results presented in Table 1 indicate that all main constructs have Cronbach's Alpha and Composite Reliability values above 0.70, thereby satisfying the reliability criteria (Hair et al., 2017). In addition, the Average Variance Extracted (AVE) values for all constructs exceed 0.50, indicating that convergent validity has been achieved (Hair et al., 2017).

Furthermore, as presented in Table 2, discriminant validity was confirmed using the Fornell–Larcker criterion (Hair et al., 2017), where the square root of the AVE for each construct was greater than the correlations between constructs. These findings demonstrate that the measurement model satisfies the required standards of reliability, convergent validity, and discriminant validity. Therefore, the model is considered appropriate for further analysis at the inner model evaluation stage.

Table 1. Construct Validity and Reliability Test

Variables	Cronbach's Alpha	Composite Reliability (rho c)	Average Variance Extracted
Local wisdom	0.863	0.895	0.586
Financial Culture	0.748	0.841	0.569
Poverty Alleviation	0.868	0.880	0.648

Source: Primary data processed, 2026.

Table 2. Discriminant Validity (Fornell-Larcker Criterion)

	Local wisdom	Financial Culture	Age	Level of education	Infrastructure Access	Poverty Alleviation
Local wisdom	0.766					
Financial Culture	0.603	0.754				
Age	-0.051	0.055	1,000			
Level of Education	0.203	0.419	0.179	1,000		
Infrastructure Access	-0.108	0.070	-0.085	-0.267	0.823	
Poverty Alleviation	0.298	0.496	0.138	0.767	-0.222	0.805

Source: Primary data processed, 2026.

Inner Model Test

After the measurement model satisfied the reliability and validity requirements, the next stage involved evaluating the inner model to examine the structural relationships among constructs in the study. The inner model assessment aims to measure the explanatory power of the model, assess the predictive relevance of the proposed research model, and evaluate the magnitude of the relationship between variables. The analysis was conducted using a

bootstrapping resampling technique with 5,000 subsamples to test the significance of the relationships among constructs (Hair et al., 2017).

Table 3. Effect Size (f Square)

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Information
Local Wisdom -> Financial Culture	0.571	0.639	0.183	3,112	0.002	Large and Significant Effects
Local Wisdom -> Poverty Alleviation	0.004	0.013	0.017	0.233	0.816	Very Small and Insignificant Effect
Financial Culture -> Poverty Alleviation	0.481	0.583	0.154	2,873	0.013	Large and Significant Effects
Age -> Poverty Alleviation	0,000	0.012	0.017	0.009	0.993	Very Small and Insignificant Effect
Education Level -> Poverty Alleviation	0.906	0.944	0.323	2,804	0.005	Large and Significant Effects
Infrastructure Access -> Poverty Alleviation	0.001	0.012	0.018	0.073	0.942	Very Small and Insignificant Effect

Source: Primary data processed, 2026.

The effect size results presented in Table 3 indicate that the relationship between local wisdom and financial culture has a large and statistically significant effect. This finding suggests that local values, norms, and cultural practices play an important role in shaping the financial behavior and financial culture of indigenous communities. In contrast, the direct effect of local wisdom on poverty alleviation is found to be very small and statistically insignificant. These results imply that local wisdom alone is insufficient to directly improve community welfare without being supported by more adaptive and productive economic mechanisms.

The relationship between financial culture and poverty alleviation demonstrates a large and significant effect. This finding indicates that financial culture plays a substantial role in improving the community’s ability to manage economic resources, regulate consumption behavior, and make rational financial decisions that support household welfare.

Among the control variables, education level shows a large and significant effect on poverty alleviation, highlighting the important role of education in enhancing economic capacity and improving living standards. Meanwhile, age and infrastructure access exhibit very small and statistically insignificant effects, suggesting that these variables do not make a substantial contribution to poverty alleviation within the proposed research model.

Table 4. Determinant Coefficient and Q Square

	R Square	Adj. R Square	Q Suare
Financial Culture	0.363	0.357	0.332
Poverty Alleviation	0.628	0.608	0.574

Source: Primary data processed, 2026.

The results presented in Table 4 show that the R Square value for the financial culture variable is 0.363. This finding indicates that local wisdom explains 36.3% of the variance in financial culture, while the remaining variance is influenced by other factors outside the research model. Meanwhile, the R Square value for the poverty alleviation variable is 0.628, indicating that local wisdom, financial culture, and the control variables jointly explain 62.8% of the variance in poverty alleviation. Based on Cohen’s (1988) criteria, this value falls within the moderate explanatory category.

In addition, all endogenous variables have positive Q Square values, indicating that the model possesses satisfactory predictive relevance (Hair et al., 2017). The relatively high Q Square values for both financial culture and poverty alleviation demonstrate that the model has

adequate predictive capability in explaining the endogenous constructs. Therefore, the structural model in this study satisfies the required evaluation criteria and is appropriate for further hypothesis testing.

Hypothesis Testing

Hypothesis testing was conducted to examine the causal relationships among the variables in the proposed structural model. The path analysis results presented in Table 5 indicate that local wisdom has a positive and statistically significant effect on financial culture ($\beta = 0.603$; $p < 0.001$). This finding implies that a one-unit increase in local wisdom is associated with a 0.603-unit increase in financial culture. In addition to being statistically significant, this coefficient also demonstrates substantial practical significance, indicating that strengthening local wisdom values contributes considerably to the development of financial culture within indigenous communities. In other words, interventions based on local wisdom have strong potential to improve household financial management practices.

However, local wisdom does not have a direct significant effect on poverty alleviation ($\beta = 0.049$; $p = 0.502$). This insignificant relationship suggests that although local wisdom possesses strong social and cultural value, it does not automatically generate direct economic outcomes without the support of an operational mechanism capable of translating these values into adaptive economic practices.

Furthermore, financial culture was found to have a positive and significant effect on poverty alleviation ($\beta = 0.183$; $p = 0.013$). This result indicates that a one-unit increase in financial culture is associated with a 0.183-unit increase in poverty alleviation. Although the magnitude of the effect can be categorized as moderate, it remains strategically important because it demonstrates that strengthening financial culture contributes to sustainable improvements in community welfare. This finding confirms that financial culture functions as an important mechanism for enhancing household economic capacity, particularly among indigenous communities that continue to face limited economic access and relatively low income levels.

The mediation analysis further reveals that local wisdom significantly influences poverty alleviation indirectly through financial culture ($\beta = 0.110$; $p = 0.021$). These findings confirm that financial culture acts as a partial mediating variable in the relationship between local wisdom and poverty alleviation. This result implies that the values embedded in local wisdom can contribute to poverty alleviation only when they are internalized and operationalized through a healthy and adaptive financial culture.

Overall, the results of this study indicate that local wisdom plays a significant role in supporting poverty alleviation, but this influence is not direct. Local wisdom first shapes a community's financial culture, which then becomes the primary mechanism for increasing household economic capacity and well-being. Therefore, the effectiveness of local wisdom in poverty reduction depends heavily on its ability to be transformed into adaptive, structured, and sustainable financial practices for indigenous communities.

Table 5. Hypothesis Testing

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Information
Local Wisdom -> Financial Culture	0.603	0.616	0.055	10,991	0,000	Supporting the Hypothesis
Local Wisdom -> Poverty Alleviation	0.049	0.049	0.074	0.672	0.502	Rejecting the Hypothesis
Financial Culture -> Poverty Alleviation	0.183	0.184	0.073	2,496	0.013	Supporting the Hypothesis

Local Wisdom -> Financial Culture -> Poverty Alleviation	0.110	0.114	0.048	2,311	0.021	Supporting the Hypothesis
Age -> Poverty Alleviation	0.008	0.008	0.066	0.117	0.907	
Education Level -> Poverty Alleviation	0.673	0.669	0.061	11,029	0,000	
Infrastructure Access -> Poverty Alleviation	-0.023	-0.036	0.060	0.388	0.698	

Source: Primary data processed, 2026.

Discussion

The results of this study indicate that local wisdom has a positive and significant effect on financial culture but does not directly affect poverty alleviation. In contrast, financial culture significantly influences poverty alleviation and mediates the relationship between local wisdom and poverty alleviation. These findings suggest that local wisdom values do not automatically improve economic welfare, but instead need to be transformed into more adaptive financial practices.

The positive influence of local wisdom on financial culture supports social capital theory proposed by Putnam (2000), which emphasizes that norms, trust, and social networks shape economic behavior. Among the Amungme and Kamoro communities, values such as mutual cooperation, communal solidarity, and sharing practices form the basis of income and consumption management. These findings are also consistent with the cultural finance perspective, which argues that economic decisions are strongly influenced by cultural values and social preferences transmitted across generations (Guiso et al., 2006; Karolyi, 2016).

Empirically, the coefficient of the relationship between local wisdom and financial culture demonstrates both statistical significance and strong practical relevance. This finding indicates that strengthening local wisdom can become a strategic instrument for shaping community economic behavior without undermining local cultural identity (Kusuma & Sari, 2025). Therefore, development programs are likely to be more effective when they incorporate local social and cultural structures as the basis for transforming financial behavior within indigenous communities.

However, local wisdom does not directly influence poverty alleviation. This finding is consistent with studies showing that local wisdom values require transformation mechanisms before generating economic outcomes (Tablelini, 2010; Maridal, 2013; Mahroof Khan et al., 2015; Cotton, 2017). In Mimika Regency, this condition is associated with the dominance of the mining sector, economic dualism, and limited integration of indigenous communities into formal markets. Economic growth generated by mining activities has not been fully connected to local community economic activities, causing development benefits to remain concentrated among certain groups. In addition, limited market access, low educational attainment, and restricted access to formal financial institutions cause local wisdom to function mainly as social cohesion rather than as an instrument of economic accumulation. These findings indicate that local wisdom values cannot generate direct economic impacts unless they are internalized into structured financial practices (Kamal & Jerianto, 2018; Rukin, 2025). Although local knowledge, local values, local skills, and group solidarity possess strong cultural significance, they have not yet contributed directly to economic improvement due to limited access to modern financial systems and the persistence of relatively closed traditional economic structures (Fadaka & Olatunji, 2025). Therefore, local wisdom requires a transformation channel capable of translating cultural values into productive and sustainable financial practices (Huruta & Pratomo, 2018). In this regard, financial culture functions as the mechanism that transforms social and cultural values into more adaptive economic behavior.

Compared with studies conducted among indigenous communities in Bali, Cirebon, Bangkalan, and Konawe (Ruja & Idris, 2023; Permana et al., 2023; Kurniyanto et al., 2023; Nartin et al., 2024), the findings related to the Amungme and Kamoro communities reveal greater structural complexity. In several other regions, local wisdom contributes more directly to poverty alleviation, whereas in Mimika Regency the challenges are greater due to the dominance of the mining economy, weak market integration, and geographical isolation. These findings suggest that poverty alleviation among indigenous communities requires a multidimensional approach that combines strengthening financial culture, policy support, economic accessibility, and equitable resource distribution.

The insignificant direct effect of local wisdom on poverty alleviation also indicates the presence of other factors not fully captured in the research model, such as access to credit, financial inclusion, local governance quality, social conflict, and the socio-economic impact of extractive industries. In Mimika Regency, the dominance of the mining sector may create economic dependency, alter consumption patterns, and marginalize traditional economic activities.

The positive and significant effect of financial culture on poverty alleviation demonstrates that financial culture serves as a mechanism for transforming cultural values into more rational and long-term economic behavior. Financial culture improves the ability of households to manage income, control consumption, save resources, and allocate expenditures toward productive activities. These findings are consistent with studies emphasizing the importance of financial literacy and financial culture in strengthening household economic resilience (Lusardi & Mitchell, 2014; Xu et al., 2023). A healthy financial culture can transform traditional values into economic practices that are more adaptive to modern economic demands (Azizah et al., 2022), thereby increasing community resilience to economic vulnerability (Borbély & Barbu, 2017; Priantara et al., 2024). Financial culture can also bridge the gap between communal and modern economic systems by strengthening community-based economic institutions, such as traditional cooperatives, savings groups, and collective enterprises based on local resources. Thus, financial culture does not eliminate indigenous cultural identity, but instead internalizes local values into modern economic practices. The coefficient of the effect of financial culture on poverty alleviation indicates a statistically significant and practically meaningful relationship, although moderate in magnitude. Strengthening financial culture may not eliminate poverty instantly, but it can gradually and sustainably improve household economic capacity. From a policy perspective, strengthening financial culture is more sustainable than short-term social assistance because it enhances long-term community economic resilience.

The mediation analysis indicates that financial culture mediates the relationship between local wisdom and poverty alleviation. This finding confirms that financial culture functions as a key mechanism linking local wisdom values to improvements in community economic welfare. Within indigenous communities, values such as solidarity, collective cooperation, social responsibility, and communal resource management do not automatically generate economic improvement unless they are translated into adaptive financial practices. Therefore, financial culture becomes an important instrument through which these cultural values are internalized into more productive economic behaviors, including financial planning, income management, consumption control, and the sustainable utilization of economic resources (Guiso et al., 2006; Zhyliakova et al., 2022). This finding is also consistent with the social capital perspective, which emphasizes that cultural values and social norms can enhance community welfare when supported by effective institutional mechanisms and economic behavior (Putnam, 2000; Coleman, 1988). In indigenous communities located in extractive industry regions, financial culture plays a particularly important role in helping communities adapt to increasingly complex modern economic systems without losing their social and cultural identity (Haddad & Hornuf, 2019). Therefore, the findings of this study suggest that

strengthening financial culture based on local wisdom can serve as a more effective and sustainable strategy for poverty alleviation among indigenous communities.

Theoretically, this study reinforces the cultural finance perspective by demonstrating that culture influences economic outcomes through financial behavior rather than through direct effects on welfare. This study also extends Sen's (1999) capability approach by showing that community economic capability depends not only on access to material resources but also on the ability to transform cultural values into productive economic practices. Furthermore, this study confirms that social capital and local wisdom alone are insufficient to reduce poverty without the support of adequate financial culture and supportive economic institutions.

Within the indigenous development discourse, this study demonstrates that indigenous community development cannot rely solely on conventional growth-oriented approaches. Development strategies must also consider cultural dimensions as the foundation of economic behavior. These findings strengthen the indigenous development literature, which emphasizes that indigenous development becomes more effective when local institutions and cultural values are utilized as the basis for economic empowerment (Cornell & Kalt, 2000).

Practically, local governments should develop culturally grounded financial literacy and inclusion programs through financial education, strengthening village cooperatives, and providing entrepreneurship training aligned with the social characteristics of the Amungme and Kamoro communities. Financial institutions also need to provide more inclusive and culturally sensitive services, while mining companies should strengthen CSR programs that focus on enhancing the long-term economic capacity of local communities. Indigenous organizations likewise play a strategic role in internalizing sound financial practices without diminishing community cultural values.

CONCLUSION

This study demonstrates that local wisdom plays an important role in shaping the financial culture of the Amungme and Kamoro indigenous communities in Mimika Regency. However, local wisdom was not found to have a direct effect on poverty alleviation. In contrast, financial culture has a positive and significant effect on poverty alleviation and also serves as a mediating variable in the relationship between local wisdom and poverty alleviation. These findings indicate that local cultural values do not automatically improve community welfare unless they are internalized into adaptive, rational, and sustainable financial practices.

The main novelty of this study lies in the integration of local wisdom and financial culture into a single empirical model of poverty alleviation among indigenous communities in extractive industry regions. Unlike previous studies that generally positioned local wisdom as a direct determinant of welfare improvement, this study demonstrates that financial culture functions as an important mechanism that transforms cultural values into productive economic behavior. By employing the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach, this study also provides empirical evidence regarding the direct and indirect relationships among variables within the context of the Amungme and Kamoro indigenous communities, which remains rarely explored in the literature on economic development and cultural finance.

Theoretically, this study reinforces the perspective that poverty alleviation among indigenous communities cannot rely solely on conventional economic approaches that emphasize economic growth and natural resource exploitation. Cultural factors, social values, and financial behavior play strategic roles in building long-term economic resilience. Therefore, this study expands the discourse on cultural finance and community-based development in resource-rich regions that continue to experience welfare inequality.

Practically, the findings imply that poverty alleviation policies in Mimika Regency and other indigenous regions should integrate the strengthening of financial culture based on local values. Community empowerment programs should not merely focus on economic assistance,

but also prioritize financial literacy, household financial planning, collective economic resource management, and the development of productive economic behavior that remains aligned with indigenous cultural identity. Such an approach is expected to create a more inclusive, participatory, and sustainable development strategy.

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