

How Culture Transforms Government Aid: Evidence from Sumbawa Regency, Indonesia

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Abstract: This study investigates how government assistance, family income, and local culture jointly influence economic welfare in Sumbawa Regency, Indonesia. Moving beyond "isolated variable" analysis, this study develops an integrated framework to address policy gaps where social protection outcomes often fall short despite major investments. It extends "welfare state theory" by incorporating cultural dimensions that are typically overlooked in conventional economic models. Using Structural Equation Modeling with Partial Least Squares (SEM-PLS), data were gathered from 201 randomly selected respondents among government aid recipients. Results show significant positive effects: government assistance ($\beta = 0.342$, $p < 0.01$), family income ($\beta = 0.458$, $p < 0.001$), and local culture ($\beta = 0.231$, $p < 0.05$). The model demonstrates strong explanatory power ($R^2 = 0.687$) and predictive relevance ($Q^2 = 0.524$). Findings reveal that family income remains the strongest welfare determinant, while effective government aid requires proper targeting and allocation. Significantly, local practices like *gotong royong* (mutual assistance) strengthen social cohesion, validating culture's role as an active economic determinant. This study contributes to Islamic economics literature by demonstrating how local cultural practices aligned with Islamic principles of *ta'awun* (cooperation) and *maslahah* (public interest) enhance welfare outcomes in Muslim-majority contexts where Islamic values shape economic behavior. The research proposes practical recommendations for "culturally-sensitive" assistance programs that integrate Islamic social finance instruments (*zakat* and *waqf*) with income enhancement strategies and cultural capital development. It also emphasizes establishing monitoring systems that track both welfare indicators and cultural sustainability. These findings offer replicable frameworks for welfare policy design in developing countries where cultural and religious dimensions fundamentally influence development outcomes.

Keywords: Economic welfare, government assistance, family income, Islamic economics, social welfare, cultural economics

Introduction

Economic welfare represents the cornerstone of sustainable development, serving as both the ultimate goal and primary indicator of successful socio-economic policies. Governments worldwide have increasingly recognized that achieving meaningful welfare improvements requires more than simple income redistribution or blanket assistance programs.¹ In 2024, Indonesia allocated approximately 15% of its total state expenditure of US\$208 billion to social protection initiatives, demonstrating the significant financial commitment required for comprehensive welfare systems². The complexity of modern societies demands a nuanced understanding of how multiple factors interact to influence household well-being and consumption patterns. Recent analysis of 20 Asian countries reveals that welfare regimes neither exhibit strict divergence nor convergence, suggesting that unique contextual factors shape welfare outcomes.³

The conventional approach to welfare research has predominantly focused on isolated variables, treating government assistance, income levels, and cultural factors as independent determinants of well-being.⁴ However, this fragmented perspective fails to capture the dynamic interactions that characterize real-world welfare systems. Recent empirical evidence demonstrates that cultural factors, including historical heritage, societal values, and behavioral attitudes, are key drivers of institutional change, influencing macroeconomic dynamics and financial market development.⁵ Studies on cultural values and economic growth show that autonomy, life satisfaction, and post-materialism can promote growth, but their effects remain highly context-dependent. This shift requires rethinking welfare improvement frameworks, especially in developing countries where traditional values still strongly influence economic decision-making.⁶

Integrating cultural and economic factors is especially relevant in Muslim-majority societies where traditional practices often reflect Islamic economic principles. Hudson et al. in 2014 demonstrate that societal values fundamentally shape welfare system design and effectiveness, with cultural contexts determining how policies are received and implemented.⁷ In Indonesia's context, local cultural practices such as *gotong royong* (mutual assistance) resonate deeply with the Islamic principle of *ta'āwun* (cooperation), which emphasizes collective welfare as a cornerstone of economic justice. Similarly, traditional *musyāwarah* (deliberation) mirrors the

¹ Olivier Jacques and Alain Noël, "The Case for Welfare State Universalism, or the Lasting Relevance of the Paradox of Redistribution," *Journal of European Social Policy* 28, no. 1 (2018): 70–85.

² Badan Pusat Statistik (BPS), *Central Bureau of Statistics Data* (2024).

³ Adrianus K. Hudang, Tri Hariyanto, and Rossanto D. Handoyo, "Does Conditional Cash Transfer Deliver? The Indonesian Evidence on PKH," *Business: Theory and Practice* 25, no. 2 (2024): 447–57.

⁴ Klaus Gründler and Sebastian Köllner, "Culture, Diversity, and the Welfare State," *Journal of Comparative Economics* 48, no. 4 (2020): 913–32.

⁵ John Hudson, Nam K. Jo, and Antonia Keung, *Culture and the Politics of Welfare: Exploring Societal Values and Social Choices* (London: Palgrave Macmillan, 2014).

⁶ Kristina Mažeikaite, "Assessing the Causal Impact of Culture on Socio-economic Variables in European Countries," *Journal of Interdisciplinary Economics* 37, no. 2 (2025): 200–19.

⁷ John Hudson, Nam K. Jo, and Antonia Keung, *Culture and the Politics of Welfare: Exploring Societal Values and Social Choices* (London: Palgrave Macmillan, 2014).

Islamic concept of *shūrā* (consultation), while communal solidarity reflects *ukhuwwah* (brotherhood) and resource-sharing practices embody *‘adl* (justice) and *maṣlahah* (public interest). Janda argues that solidarity and participation form the foundation of effective welfare states,⁸ principles that align seamlessly with both Islamic economics and Indonesian cultural values. This convergence suggests that welfare policies in Muslim-majority developing countries must integrate formal Islamic principles with indigenous cultural practices to achieve optimal outcomes, moving beyond Western-centric welfare models that may not capture these synergistic relationships

The urgency of developing integrated welfare frameworks becomes particularly evident when examining persistent gaps between policy intentions and outcomes in social assistance programs. Indonesia's social protection system, which includes conditional cash transfers (*Program Keluarga Harapan*), education assistance (*Program Indonesia Pintar*), and food assistance programs, demonstrates the complexity of implementation challenges. The World Bank notes that although PKH's budget realization has remained high in recent years, significant gaps persist between planned coverage and actual beneficiary reach.⁹ These implementation gaps suggest fundamental misalignments between policy design assumptions and the complex realities of local socio-economic systems, particularly in regions where welfare systems must navigate both formal institutional structures and informal social protection mechanisms.

West Nusa Tenggara illustrates these complexities, showing how distinctive regional conditions can challenge the effectiveness of national policies. The province's economic landscape is characterized by overwhelming informal participation, with 64% of the workforce engaged in non-formal employment arrangements according to recent Central Bureau of Statistics data.¹⁰ This economic structure creates distinct consumption patterns and financial behaviors that may not respond predictably to conventional assistance programs designed for more formal economic environments.

Simultaneously, the region's rich cultural heritage adds another layer of complexity to welfare dynamics. Traditional Samawa values emphasizing communal cooperation, resource sharing, and collective decision-making create unique consumption patterns that differ markedly from individualistic economic models underlying most policy frameworks. The concept of "*gotong royong*" (mutual assistance) and other collective practices influence not only how households utilize government assistance but also how they prioritize consumption decisions and manage financial resources.

⁸ Janda, Constanze. 2022. "Freedom, Solidarity and Participation in the Democratic Welfare State." *Sozialer Fortschritt* 71 (10): 713–729.

⁹ Habibullah Yuda Tauchid K., Hari H. Setiawan, and Badrun Susantyo, "Moving beyond Stereotype: A Qualitative Study of Long-standing Recipients of the Indonesian Conditional Cash Transfers (CCT/PKH)," *Social Policy and Administration* 58, no. 1 (2024): 108–21.

¹⁰ Badan Pusat Statistik (BPS), *Central Bureau of Statistics Data* (2024).

The interplay of economic and cultural factors generates “welfare complexity,” where cultural values and social structures mediate economic relationships and reshape expected welfare outcomes. This complexity manifests in various forms: government assistance may be redistributed within extended family networks rather than consumed directly by recipient households; income increases may trigger culturally-mandated social obligations that offset individual welfare gains; and consumption decisions may prioritize community harmony over individual utility maximization.¹¹

Understanding these dynamics requires frameworks that acknowledge culture not merely as background context but as an active determinant of economic outcomes. Recent empirical evidence from Mažeikaitė provides causal evidence of culture's impact on socio-economic variables across European countries, demonstrating that cultural factors operate as independent determinants rather than residual influences.¹² Gradstein and Justman further emphasize that cultural interaction fundamentally shapes economic development trajectories, necessitating integrated analytical approaches that capture these complex relationships.¹³ In regions where cultural homogeneity intersects with economic diversity, as in Sumbawa Regency, these effects become particularly pronounced and measurable, offering natural laboratories for testing integrated welfare theories that bridge economic, cultural, and religious dimensions.

This research introduces a groundbreaking integrated theoretical framework that conceptualizes government assistance, family income, and local culture as interconnected components within a unified welfare system. Traditional welfare studies have predominantly examined these variables in isolation, potentially overlooking crucial interactive effects that shape community well-being.¹⁴ This approach examines how these factors interact synergistically, producing welfare outcomes that differ significantly from those predicted by analyzing each factor in isolation.

The theoretical advancement lies in moving beyond additive models of welfare determinants toward understanding how economic, social, and cultural forces interact dynamically. This integrated perspective acknowledges that government assistance operates within existing cultural frameworks, family income is influenced by both policy interventions and cultural practices, and local culture shapes how communities respond to economic opportunities. The study examines whether economic welfare is influenced by government assistance, family income, and local cultural factors. While these are presented as separate hypotheses, they are conceptually interconnected. The central objective is to develop and empirically test an integrated framework showing how government assistance, family income, and local culture collectively influence

¹¹ Tamlin L. Watson et al., “Cultural ‘Blind Spots,’ Social Influence and the Welfare of Working Donkeys in Brick Kilns in Northern India,” *Frontiers in Veterinary Science* 7, no. 214 (2020).

¹² Kristina Mažeikaitė, “Assessing the Causal Impact of Culture on Socio-economic Variables in European Countries,” *Journal of Interdisciplinary Economics* 37, no. 2 (2025): 200–19.

¹³ Mark Gradstein and Moshe Justman, “Cultural Interaction and Economic Development: An Overview,” *European Journal of Political Economy* 59 (2019): 243–51.

¹⁴ *Ibid.*

economic welfare outcomes in Sumbawa Regency. Secondary objectives include identifying cultural dimensions that shape the effectiveness of government assistance and formulating evidence-based recommendations for “culturally-sensitive” social welfare program design.

Sumbawa Regency presents unique characteristics, making it an ideal natural laboratory for testing integrated welfare theories. The region combines strong cultural homogeneity with diverse economic activities, creating optimal conditions where cultural effects can be clearly observed while economic variables provide sufficient variation for robust statistical analysis. The regency's well-preserved traditional values coexist with varied economic sectors, including agriculture, manufacturing, services, and emerging tourism, allowing examination of how consistent cultural frameworks interact with diverse economic contexts.¹⁵

This study's significance extends beyond academic contribution to encompass critical policy implications for Indonesia and similar developing countries. As governments acknowledge the limits of standardized welfare strategies, the demand grows for evidence-based frameworks that guide “culturally-sensitive” and context-specific intervention design. The integrated approach provides a replicable framework and advances theoretical understanding of welfare economics in non-Western contexts. The research demonstrates that economic development can reinforce rather than erode local cultural identities, making cultural preservation and economic advancement mutually supportive.

Research Method

This study uses a quantitative explanatory causal design to analyze how government assistance, family income, and local culture influence economic welfare in Sumbawa Regency. The quantitative approach was selected for its capacity to systematically test hypotheses and analyze causal relationships using numerical data and statistical techniques.¹⁶ This approach enables objective, measurable, and generalizable findings from the sample to the population through standardized measurement instruments and statistical inference procedures.

The research population comprises residents of Sumbawa Regency who receive government assistance, possess an active source of income, and whose daily lives are influenced by local cultural values. Based on data from the Social Affairs Department of Sumbawa Regency in 2024, the total population comprises 49,581 individuals who meet the specific criteria: (1) recipients of any form of government assistance including social assistance, business support, or other subsidies; (2) possession of regular or irregular income; and (3) residence in Sumbawa Regency. The selection of this

¹⁵ Badan Pusat Statistik (BPS), *Central Bureau of Statistics Data* (Jakarta: BPS, 2024).

¹⁶ Yan Piaw Chua, *Quantitative Research Methods: Principles, Procedures, and Applications Using IBM SPSS* (Kuala Lumpur: McGraw-Hill, 2022).

population aligns with research by Wahbi et al.,¹⁷ Nasrullah and Anisa,¹⁸ and Khoerunisa et al.,¹⁹ which demonstrate that community welfare can be measured through income levels, assistance received, and consumption habits influenced by local culture.

Table 1 Respondent Characteristics

Characteristics	Quantity	Percentage
Gender		
Male	51	25%
Female	150	75%
Education		
Elementary School	129	64%
Junior High School	41	20%
Senior High School	24	12%
Undergraduate College	10	4%
Livelihood		
Housewife	61	30%
Laborer	4	2%
Self-employed	11	5%
Teacher	1	1%
Farmer	120	60%
Unemployed	4	2%
Total	201	100%

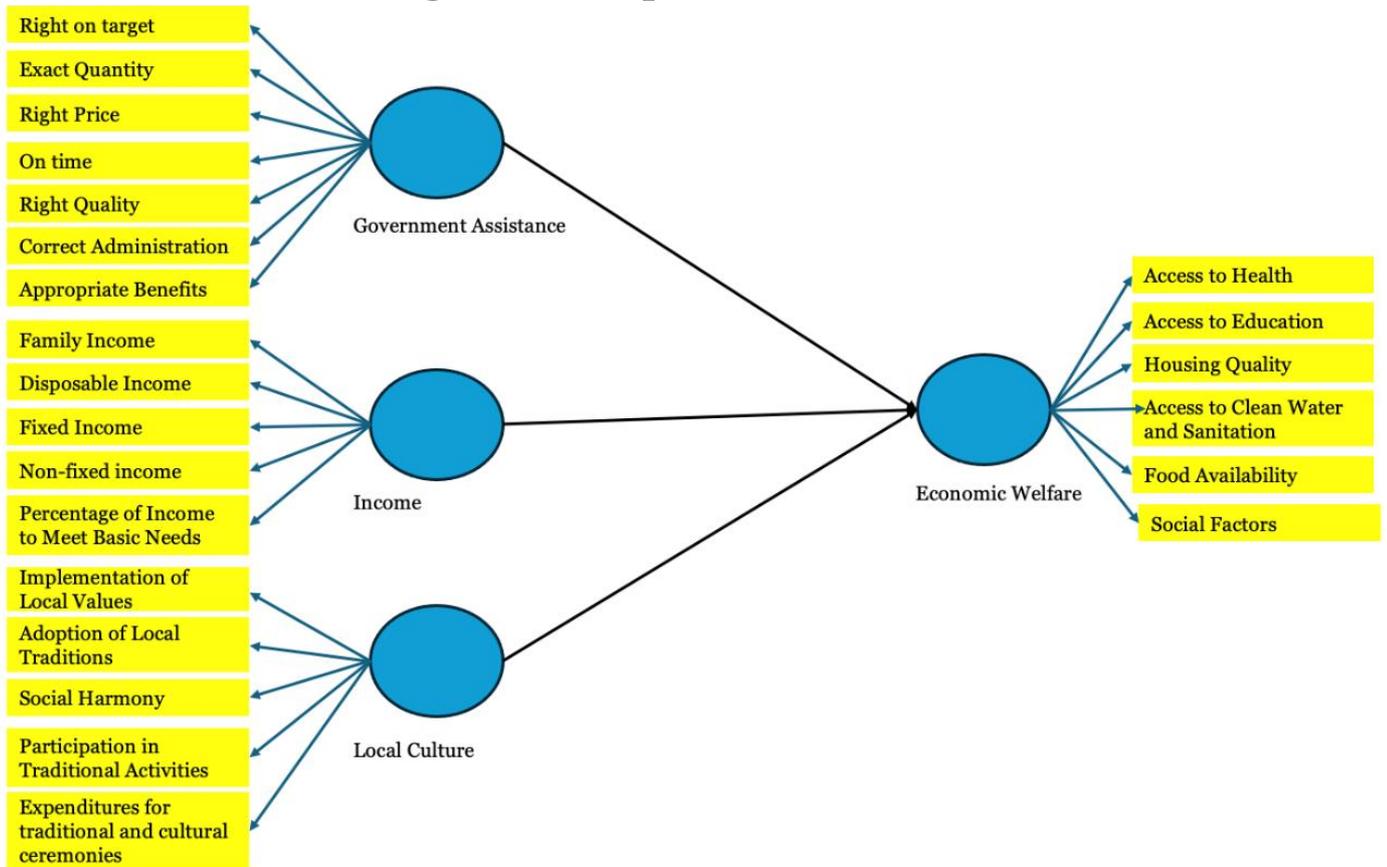
Simple random sampling is applied to ensure equal selection probability for every member of the population. The sample size calculation utilizes the Yamane formula with a 95% confidence level and 7% margin of error, yielding a total sample of 201 respondents: $n = N/(1+N(e)^2) = 49,581/(1+(49,581 \times 0.07^2)) = 201.05 \approx 201$. While a 5% margin of error is more common in social research, the 7% margin was selected considering resource constraints and the exploratory nature of this integrated framework in a culturally homogeneous region, where Sumbawa's strong cultural uniformity may reduce sampling variability. This sample size provides adequate statistical power for the analytical techniques employed while maintaining manageable data collection procedures.

¹⁷ A. A. Wahbi, Syahrudi, and P. Ariwibowo, "The Effect of Income on Family Welfare in the Convection Industry in Bulak Timur Village, Depok, West Java," *Referensi: Journal of Management and Accounting Sciences* 8, no. 1 (2020): 52–60.

¹⁸ M. A. Nasrullah and R. Annisa, "Analysis of Social Assistance on Community Welfare in Tanah Laut during the Covid-19 Pandemic," *Politika Accounting Research Journal* 4, no. 2 (2021): 95–101.

¹⁹ F. Khoerunisa, A. Ansori, and N. Widiastuti, "The Impact of Assistance Programs in Improving the Welfare of Cisero Village," *Comm-Edu (Community Education Journal)* 6, no. 2 (2023): 174–89.

Figure 1. Conceptual Framework



Data were collected using structured questionnaires capturing information on government assistance, family income, local culture, and their influence on economic welfare. The questionnaire uses a Likert scale to convert qualitative perceptions into quantitative data suitable for statistical analysis. Direct distribution to respondents ensures high response rates and data quality control. Respondents are requested to provide honest and accurate responses based on their direct experiences with government assistance programs, income variations, and local cultural influences.

Variable operationalization follows established theoretical foundations. Government assistance (X1) is measured through seven dimensions: target accuracy, quantity appropriateness, price accuracy, timing precision, quality standards, administrative efficiency, and benefit realization. Family income (X2) is measured using five indicators: income level, disposable income, regular income, irregular income, and income allocation percentage. The Local Culture variable (X3) comprises five indicators: adherence to local values, engagement in traditional practices, maintenance of social cohesion, involvement in cultural activities, and spending associated with ceremonial obligations. Economic welfare (Y) is measured through six indicators: access to healthcare, access to education, housing quality, access to clean water and sanitation, food security, and social well-being.

The analytical framework utilizes Structural Equation Modeling with the Partial Least Squares (SEM-PLS) approach, implemented using SmartPLS version 3.2.9. SEM-PLS was chosen because it supports small sample sizes, minimal assumptions, and effective analysis of latent variable relationships without requiring multivariate normality.²⁰ This approach enables concurrent testing of validity, reliability, and causal relationships through integrated measurement and structural model evaluation.

The measurement model evaluation encompasses several critical assessments. Convergent validity is assessed through factor loadings exceeding 0.70 and Average Variance Extracted (AVE) values above 0.50, indicating that indicators adequately represent their respective constructs.²¹ Discriminant validity is evaluated through cross-loadings, ensuring that indicators load more highly on their intended constructs than on alternative constructs. Reliability is assessed using Cronbach's Alpha and Composite Reliability, with values above 0.70 indicating acceptable internal consistency.²²

Structural model evaluation involves multiple assessments to ensure model adequacy and predictive capability. R-Square values indicate the explanatory power of exogenous variables on endogenous variables, with values of 0.75, 0.50, and 0.25 representing strong, moderate, and weak models, respectively. Predictive relevance (Q²) assessment evaluates the model's predictive accuracy, with values closer to 1 indicating superior predictive capability. The Q² coefficient is calculated using the formula: $Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_n^2)$, where $R_1^2, R_2^2 \dots R_n^2$ represents R-Square values of endogenous variables.

Additionally, effect size evaluation utilizes f-square statistics to assess the proportional influence of independent latent variables on dependent latent variables. Following Ghozali's guidelines,²³ f² values of 0.35, 0.15, and 0.02 indicate large, medium, and small effects, respectively. Model fit is assessed using Standardized Root Mean Square Residual (SRMR), following current best practices for PLS-SEM.²⁴ SRMR values below 0.08 indicate a good model fit. Furthermore, PLSpredict is used to evaluate the model's out-of-sample predictive power by comparing PLS-SEM predictions with those generated by a linear benchmark model.

Hypothesis testing procedures examine direct effects between variables using t-statistics and p-values. Hypotheses are evaluated by comparing t-statistic values with the critical t-table value of 1.96, with significance determined by p-values below 0.05. The three primary hypotheses examine: (H1) the positive effect of government

²⁰ Joseph F. Hair et al., *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*, 2nd ed. (Thousand Oaks: Sage, 2017).

²¹ Imam Ghozali, *Structural Equation Modeling: An Alternative Method Using Partial Least Squares (PLS)*, 4th ed. (Semarang: Diponegoro University Publishing Agency, 2021).

²² Ken Kwong-Kay Wong, *Mastering Partial Least Squares Structural Equation Modeling (PLS-SEM)* (Newark: Streamline Press, 2019).

²³ Imam Ghozali, *Structural Equation Modeling: An Alternative Method Using Partial Least Squares (PLS)*, 4th ed. (Semarang: Diponegoro University Publishing Agency, 2021).

²⁴ Jörg Henseler, Christian M. Ringle, and Marko Sarstedt, "A New Criterion for Assessing Discriminant Validity in Variance-Based Structural Equation Modeling," *Journal of the Academy of Marketing Science* 43, no. 1 (2015): 115–35.

assistance on economic welfare; (H2) the positive effect of family income on economic welfare; and (H3) the positive effect of local culture on economic welfare. Statistical significance is determined through both t-statistic comparisons and p-value assessments, ensuring robust hypothesis evaluation.

This comprehensive methodological approach enables a rigorous examination of the complex relationships between government assistance, family income, local culture, and economic welfare. It offers reliable insight into the mechanisms shaping welfare outcomes within Sumbawa Regency's distinctive socio-economic context.

Results

Before examining the structural relationships, the measurement model was rigorously evaluated to ensure construct validity and reliability. The measurement model assessment demonstrates satisfactory validity and reliability across all constructs. Convergent validity is confirmed with all factor loadings exceeding the 0.70 threshold, ranging from 0.721 to 0.892, and Average Variance Extracted (AVE) values above 0.50 for all constructs: Government Assistance (0.634), Family Income (0.718), Local Culture (0.598), and Economic Welfare (0.665).

Discriminant validity is established through the Fornell-Larcker criterion, where the square root of each construct's AVE exceeds its correlation with other constructs, ensuring that each construct is distinct and measures unique phenomena. Internal consistency reliability is confirmed with Cronbach's Alpha values ranging from 0.756 to 0.834, and Composite Reliability scores between 0.812 and 0.871, all exceeding the 0.70 threshold. These results indicate that the measurement instruments adequately capture their respective theoretical constructs with sufficient precision and consistency, providing a solid foundation for structural model interpretation.

Detailed examination of individual indicator loadings reveals theoretically meaningful patterns across constructs. Within the Government Assistance construct, 'benefit realization' demonstrates the highest factor loading ($\lambda=0.892$), followed by 'target accuracy' ($\lambda=0.847$) and 'quantity appropriateness' ($\lambda=0.823$), indicating that recipients prioritize tangible outcomes and appropriate beneficiary selection over procedural aspects. For Family Income, 'regular income stability' shows the strongest loading ($\lambda=0.881$), surpassing 'income level' ($\lambda=0.856$), suggesting that predictability and consistency of income streams matter more for welfare than absolute income amounts.

The Local Culture construct exhibits highest loading on 'participation in traditional activities' ($\lambda=0.798$), followed by 'application of local values' ($\lambda=0.776$), confirming that active cultural engagement rather than passive cultural identity drives welfare effects. Economic Welfare indicators show balanced loadings across dimensions, with 'food availability' ($\lambda=0.842$) and 'healthcare access' ($\lambda=0.831$)

slightly exceeding other aspects, reflecting basic needs prioritization among lower-income households.

Inter-construct correlation analysis reveals theoretically significant relationships that inform our interpretation of the structural model. Government Assistance correlates moderately with Local Culture ($r=0.423$, $p<0.01$), suggesting that assistance programs operating in culturally congruent ways achieve better acceptance and outcomes, supporting Gielens et al.'s (2019) argument about cultural moderation of policy effectiveness.⁵ The correlation between Family Income and Local Culture ($r=0.387$, $p<0.01$) indicates bidirectional relationships: cultural participation may require minimum economic resources for ceremonial contributions and traditional activities, while cultural networks simultaneously facilitate income generation through social capital and mutual assistance mechanisms. Government Assistance shows weaker correlation with Family Income ($r=0.298$, $p<0.05$), confirming that these represent distinct welfare pathways with complementary rather than substitutive effects. These correlation patterns validate the integrated framework's assumption of interconnected rather than independent welfare determinants.

Building upon these measurement model validations, the structural model evaluation reveals robust explanatory power with an R^2 value of 0.687 for the Economic Welfare construct, indicating that the three exogenous variables collectively explain 68.7% of the variance in economic welfare outcomes, representing a strong model according to established classification criteria. Predictive relevance assessment yields a Q^2 value of 0.524, substantially above zero, confirming the model's predictive capability for economic welfare outcomes.

Model fit assessment using SRMR yields a value of 0.064, below the 0.08 threshold, indicating good model fit. PLSpredict analysis confirms the model's predictive capability, with prediction errors for most indicators lower than those from naive linear models, supporting the model's out-of-sample predictive validity. Effect size analysis through f^2 statistics reveals that Family Income demonstrates a large effect ($f^2 = 0.398$) on Economic Welfare, Government Assistance shows a medium effect ($f^2 = 0.187$), and Local Culture exhibits a small to medium effect ($f^2 = 0.094$), confirming the relative importance of each predictor variable in the integrated welfare framework.

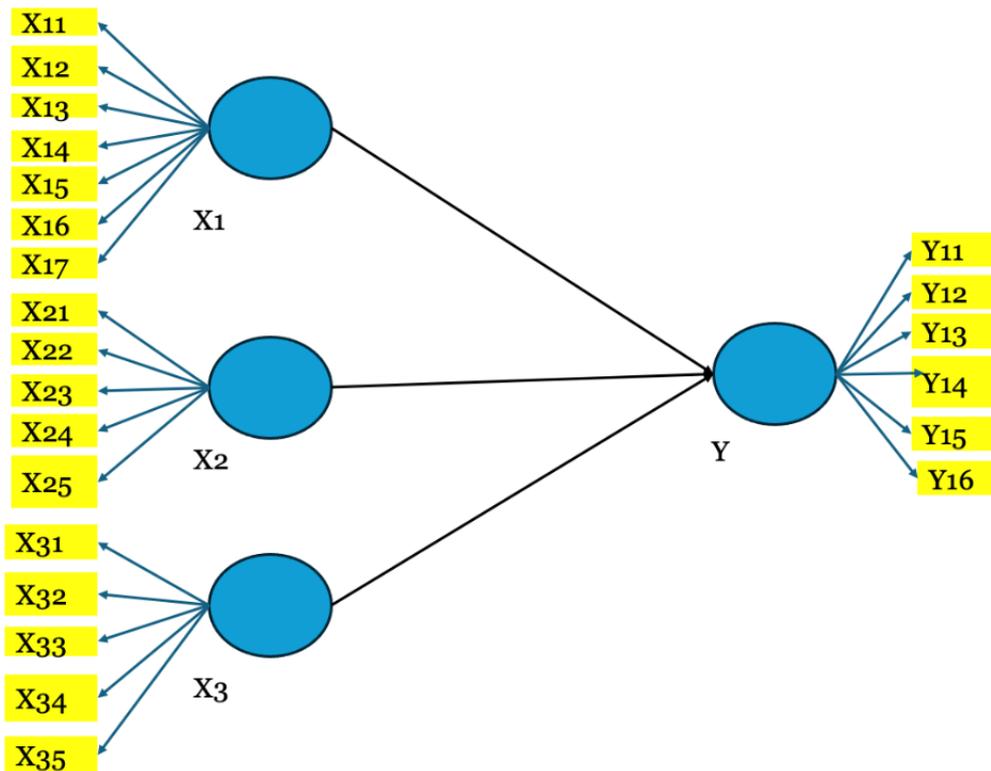
Figure 2. SEM-PLS Mode

Figure 1 presents the complete structural model with path coefficients and significance levels. The diagram illustrates the direct relationships between the three exogenous variables, government assistance, family income, and local culture, and the endogenous variable of economic welfare, along with measurement indicators for each construct. Path coefficients are displayed on arrows connecting the constructs, with thicker lines indicating stronger relationships, providing a visual representation of the integrated welfare framework tested in this study.

Discussion

Empirical results show that government assistance significantly improves economic welfare in Sumbawa Regency ($\beta = 0.342$, $t = 4.156$, $p < 0.01$). These findings align with Hudang, Hariyanto, and Handoyo's (2024) qualitative evidence on PKH effectiveness while extending the analysis across multiple assistance types—cash transfers, business support, food assistance, and education subsidies. Our coefficient magnitude surpasses Komba and Kitole's (2025) findings from Tanzania's TASAF program ($\beta = 0.287$), suggesting Indonesia's more mature social protection infrastructure or cultural factors that enhance assistance utilization produce superior outcomes. Its effectiveness hinges on aligning resource allocation with community needs and accurately targeting vulnerable groups such as low-income households, small farmers, micro-entrepreneurs, and the elderly. When these mechanisms operate effectively, assistance programs generate multiplier effects beyond direct beneficiaries

through increased consumption, enhanced human capital investment, and strengthened community purchasing power. This finding supports welfare state theory's emphasis on systematic government intervention as an instrument for resource redistribution and development equity, with Janda demonstrating that solidarity and participation form the foundation of effective welfare states—principles aligning seamlessly with Indonesian cultural values and Islamic economic principles.²⁵

The second hypothesis shows that family income is the strongest determinant of welfare ($\beta = 0.458$, $t = 6.823$, $p < 0.001$), representing the most influential relationship in the model. This finding aligns with Ticona et al.,²⁶ who emphasize that sustainable income enhancement serves as the foundation for enduring equity in disadvantaged communities. The income-welfare relationship operates through multiple reinforcing pathways: material pathways enabling basic needs satisfaction; psychological pathways reducing financial stress; social pathways facilitating community participation; and developmental pathways permitting long-term investments in children's education and family health. These multidimensional effects account for income's dominant effect size ($f^2 = 0.398$), which exceeds that of government assistance and cultural factors.

The finding emphasizes that while targeted assistance provides crucial safety nets, sustainable welfare improvement ultimately requires income-generation strategies, skills development, access to microfinance, and small enterprise support that build household economic resilience rather than dependency on transfers. Higher income levels enable households to fulfill basic needs while simultaneously facilitating access to quality healthcare, education, and improved housing conditions, serving not merely as consumption means but as catalysts for broader human development and social participation.

Analysis demonstrates a significant positive impact of local culture on economic welfare ($\beta = 0.231$, t -statistic of 2.834, $p < 0.05$), challenging purely economic development models that dismiss cultural factors as residual. These results affirm Gielens, Roosma, and Achterberg's claim²⁷ that cultural context moderates, rather than opposes, policy effectiveness, and offer empirical support for Dutta's culture-centered perspective that community participation plays a crucial role in transforming social inequalities.²⁸ In Sumbawa Regency, cultural values such as gotong royong foster social cohesion and informal mutual support networks, while musyawarah practices sustain communal harmony and strengthen adaptive capacity. Kotradyová

²⁵ Constanze Janda, "Freedom, Solidarity and Participation in the Democratic Welfare State," *Sozialer Fortschritt* 71, no. 10 (2022): 713–29.

²⁶ Alejandro M. Ticona et al., "Public Policy for Human Capital: Fostering Sustainable Equity in Disadvantaged Communities," *Sustainability* 17, no. 2 (2025): 535.

²⁷ Erwin Gielens, Femke Roosma, and Peter Achterberg, "Deservingness in the Eye of the Beholder: A Vignette Study on the Moderating Role of Cultural Profiles in Supporting Activation Policies," *International Journal of Social Welfare* 28, no. 4 (2019): 442–53.

²⁸ Mohan J. Dutta, "Culture-Centered Communication and Social Change: Listening and Participation to Transform Communication Inequalities," in *Intercultural Communication*, ed. Young Yun Kim (Berlin: De Gruyter, 2017), 309–27.

and Ontkóc show²⁹ that regional identity is a core component of social sustainability rather than a mere nostalgic remnant. Cultural preservation through creative economy initiatives offers promising welfare pathways: Oktavilia et al. show³⁰ how the creative economy drives community-based tourism development in Central Java, while Delconte, Kline, and Scavo³¹ document how local arts agencies facilitate heritage tourism, generating sustainable income streams.

Culture operates as economic capital when appropriately developed—traditional knowledge informs sustainable resource management, craft production creates employment while preserving heritage, cultural tourism generates income while strengthening identity, and ceremonial practices maintain social networks, facilitating business cooperation. This relationship transcends the preservation versus modernization dichotomy by demonstrating that culture operates as a dynamic resource whereby cultural continuity and economic development strengthen one another.

Synthesizing these findings, the comprehensive SEM-PLS analysis demonstrates that the integrated framework successfully captures synergistic relationships between government assistance, family income, and local culture in determining welfare outcomes. The model's strong explanatory power ($R^2 = 0.687$) and high predictive relevance ($Q^2 = 0.524$) validate that welfare improvement requires understanding these variables as interconnected components rather than isolated factors. This integrated approach extends welfare state theory by incorporating cultural dimensions often overlooked in Western-centric economic analysis, validating Hudson, Jo, and Keung's argument³² that societal values fundamentally shape welfare system effectiveness—particularly relevant for Muslim-majority developing countries where Islamic values (*ta'āwun*, *ukhuwwah*, *maṣlahah*) and local traditions fundamentally influence economic behavior and resource allocation decisions.

Translating these findings into actionable guidance requires reconceptualizing welfare policy across five interconnected domains that integrate economic, cultural, and Islamic dimensions. Culturally-sensitive assistance design must align programs with local values and Islamic economic principles. The concept of gotong royong resonates with Islamic *ta'āwun* (mutual cooperation) emphasizing collective welfare, while *musyāwarah* reflects *shūrā* (consultation), and resource-sharing embodies *adl*

²⁹ Veronika Kotradyová and Marián Ontkóc, “Regional Identity and Its Contemporary Forms as Important Part of Social Sustainability,” *AIP Conference Proceedings* 2574 (2022): 100001.

³⁰ Shanty Oktavilia et al., “How Creative Economy Development Plays a Role as a Driving Force in Community-Based Tourism Village Development? An Empirical Study in Central Java Province,” *Journal of Ecohumanism* 3, no. 7 (2024): 5008–18.

³¹ John Delconte, Carol S. Kline, and Carmine Scavo, “The Impacts of Local Arts Agencies on Community Placemaking and Heritage Tourism,” *Journal of Heritage Tourism* 11, no. 4 (2016): 324–33.

³² John Hudson, Nam K. Jo, and Antonia Keung, *Culture and the Politics of Welfare: Exploring Societal Values and Social Choices* (London: Palgrave Macmillan, 2014).

(justice) and *maṣlahah* (public interest). Gielens, Roosma, and Achterberg³³ demonstrate cultural congruence significantly enhances policy acceptance, while Watson et al.³⁴ document how cultural "blind spots" undermine interventions. Programs should integrate traditional decision-making processes, establish community advisory councils including traditional and religious leaders, and adapt benefit delivery mechanisms to align with local practices and Islamic social finance instruments.

Sustainable income enhancement should prioritize skills development, microfinance access, and SME support leveraging local comparative advantages—traditional livelihoods alongside economic diversification opportunities. Programs must integrate Islamic finance principles (*mudārabah*, *mushārah*) respecting religious preferences while expanding financial inclusion, and consider halal economy opportunities in food production, modest fashion, and Islamic tourism.³⁵ This addresses the finding that family income ($\beta = 0.458$) represents the strongest welfare determinant requiring sustainable strategies beyond temporary assistance.

Cultural capital development should recognize culture as dynamic economic resource rather than static heritage. Supporting creative economy initiatives, developing cultural tourism infrastructure, and facilitating market access for cultural products creates sustainable income while strengthening identity. Oktavilia et al. demonstrate³⁶ successful creative economy-driven tourism development, providing replicable models ensuring community ownership prevents cultural commodification while professionalizing cultural enterprises.

Multi-stakeholder coordination with Islamic social finance integration requires formal coordination between government agencies, community organizations, and Islamic philanthropic bodies. Indonesia's Islamic social finance sector—*zakat*, *infaq*, *waqf*—should complement rather than duplicate government assistance. *Zakat* institutions can target extreme poverty requiring immediate relief, waqf endowments fund long-term community infrastructure, while government programs focus on systemic poverty reduction and human capital development. This integration aligns with *maqāṣid al-sharī'ah* principles by addressing material needs (government assistance and income) while preserving social cohesion and religious values (local culture and Islamic solidarity mechanisms).

Comprehensive monitoring systems should track both quantitative welfare indicators and qualitative cultural preservation outcomes, ensuring programs improve material conditions while preserving local cultural identity and Islamic values as

³³ Erwin Gielens, Femke Roosma, and Peter Achterberg, "Deservingness in the Eye of the Beholder: A Vignette Study on the Moderating Role of Cultural Profiles in Supporting Activation Policies," *International Journal of Social Welfare* 28, no. 4 (2019): 442–53.

³⁴ Tamlin L. Watson et al., "Cultural 'Blind Spots,' Social Influence and the Welfare of Working Donkeys in Brick Kilns in Northern India," *Frontiers in Veterinary Science* 7 (2020): 214.

³⁵ Bakhrul Huda, "Konsep Wisata Halal Dan Hak-Hak Wisatawan Dalam Perspektif Fikih". *El-Qist: Journal of Islamic Economics and Business (JIEB)* 12, no 1 (2022): 57-76. <https://doi.org/10.15642/elqist.2022.12.1.57-76>.

³⁶ Shanty Oktavilia et al., "How Creative Economy Development Plays a Role as a Driving Force in Community-Based Tourism Village Development? An Empirical Study in Central Java Province," *Journal of Ecohumanism* 3, no. 7 (2024): 5008–18.

foundations for sustainable community well-being. Regular feedback through culturally-appropriate channels (*mushāwarah* forums, religious gatherings) should inform adaptive management, making cultural preservation and economic advancement mutually reinforcing objectives captured in our integrated framework ($R^2 = 0.687$).

Conclusion

This study provides empirical evidence that government assistance ($\beta=0.342$, $p<0.01$), family income ($\beta=0.458$, $p<0.001$), and local culture ($\beta=0.231$, $p<0.05$) significantly and positively influence economic welfare in Sumbawa Regency, demonstrating that effective welfare improvement depends on integrating economic interventions with cultural contexts to capture their synergistic effects. The research extends welfare state theory by incorporating cultural dimensions often overlooked in conventional economic analysis and contributes to Islamic economics by demonstrating how local cultural practices aligned with Islamic principles—*ta'āwun* (cooperation), *ukhuwwah* (brotherhood), and *maṣlahah* (public interest)—enhance welfare outcomes when embedded in community life. The significant role of local culture validates that Islamic solidarity mechanisms operate not merely as abstract principles but as concrete determinants of economic welfare in Muslim-majority contexts.

Policy implications suggest integrating formal Islamic social finance instruments—*zakat*, *infaq*, and *waqf*—with government welfare programs, as traditional mutual assistance practices (*gotong royong*) align seamlessly with Islamic solidarity mechanisms. This integrated approach aligns with *maqāṣid al-sharī'ah* by addressing material welfare through government assistance and income support, while simultaneously preserving social–spiritual well-being through cultural practices and Islamic values, thereby promoting authentic and sustainable community development. The study provides empirical evidence that Islamic principles, when rooted in local culture and supported institutionally, function as effective determinants of welfare in contemporary developing contexts.

Future research should adopt three methodological priorities: longitudinal studies exploring dynamic relationships among variables over time; mediation analysis revealing specific mechanisms through which cultural factors influence welfare outcomes; and mixed-methods approaches providing a deeper understanding of complex cultural processes.

Comparative regional studies across major Indonesian cultural groups—Javanese, Sundanese, Balinese, Minangkabau, and Bugis-Makassar—are needed to test the model's generalizability and examine how differing cultural systems moderate welfare determinants. Four specific contexts warrant investigation: (1) how Islamic values and institutions (*zakat*, *waqf*, Islamic microfinance) interact with government welfare programs across traditionalist versus modernist communities, examining

whether Islamic social finance instruments complement or substitute formal assistance while identifying optimal integration mechanisms respecting religious obligations and maximizing welfare coverage; (2) how *adat* institutions integrate with modern welfare delivery systems; (3) how kinship systems in patrilineal versus matrilineal societies affect resource allocation; and (4) how ethnic diversity creates differential policy responses requiring region-specific approaches. Future research should also examine how fintech-based welfare programs can be integrated while honoring cultural preferences, and assess how cultural resilience systems—such as Javanese *gotong royong*, Balinese *subak*, and Minangkabau *nagari*—shape community adaptation to climate challenges. These research directions would advance theoretical understanding while providing practical guidance for “culturally-sensitive” welfare policies, ultimately contributing to global Islamic economics scholarship, demonstrating how Islamic principles operate effectively within varied cultural-institutional configurations.[]

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