DIJEMSS: Dinasti International Journal of Education Management and Social Science
E-ISSN: 2686-6331
P-ISSN: 2686-6358
https://dinastipub.org/DIJEMSS dinasti.info@gmail.com +62 811 7404 455
DINASTI PUBLISHER
DOI: https://doi.org/10.38035/dijemss.v8i1
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Received: 01 May 2026 | **Revised:** 19 September 2026 | **Accepted:** 24 September 2026

The Indigenous Trust Market: Intergenerational Social Capital and Economic Resilience in Tabulahan, Mamasa, West Sulawesi.

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Abstract: This study examines the indigenous trust market as a form of intergenerational social capital and its role in fostering economic resilience in Tabulahan, West Sulawesi. Situated within the broader context of the informal economy, trust-based exchange systems operate beyond formal contractual arrangements while remaining socially embedded and institutionally effective. This research adopts a qualitative approach, employing in-depth interviews with key informants, including traditional leaders and a local mobility actor, combined with data triangulation to ensure analytical rigor. The findings indicate that trust functions as a form of "social currency" by facilitating deferred transactions, reinforcing social relationships, and supporting adaptive responses during periods of economic uncertainty. However, the findings also indicate a perceived tension between increasing market formalization and the preservation of locally embedded trust systems. This study contributes to the literature by advancing a cultural-economic perspective on informal markets, emphasizing the intergenerational transmission of social capital and its critical role in sustaining community-based economic resilience.

Keywords: Informal Economy, Social Capital, Trust, Economic Resilience, Indigenous Community.

INTRODUCTION

The informal economy remains a central pillar of livelihood for many communities across the Global South, particularly in rural and indigenous contexts where access to formal economic institutions is limited (Chen, 2017; World Bank, 2020). Rather than being marginal, informal economic systems often serve as primary arenas of production, distribution, and exchange, sustaining millions of households. However, dominant economic frameworks have historically portrayed the informal sector as inefficient, unregulated, and transitional—a temporary

condition that will eventually be absorbed into formal market structures (Portes, 2018). Such perspectives tend to overlook the fact that informal economies are not devoid of order, but are instead governed by socially embedded norms, networks, and reciprocal obligations (Granovetter, 1985; Woolcock, 2018). Recent studies further emphasize that informality can represent a rational and adaptive response to structural constraints, including weak institutions, regulatory exclusion, and socio-economic inequalities (Williams & Shahid, 2016; Suyatna et al., 2024). In this context, the case of Tabulahan in West Sulawesi provides an important empirical illustration of how economic practices are deeply embedded within social and cultural structures. Economic exchanges in this community are not merely transactional or price-driven, but are shaped by trust, kinship ties, and intergenerational norms that regulate behavior and expectations.

This perspective aligns with broader research showing that trust and social capital play a critical role in facilitating economic exchange, particularly in environments characterized by uncertainty and institutional gaps (Fukuyama, 2015; Guiso et al., 2016). Moreover, studies on rural and indigenous economies highlight that trust-based systems can enhance cooperation, reduce transaction costs, and sustain long-term economic relationships (Knack & Keefer, 1997; Durante et al., 2024).

Importantly, the Tabulahan case challenges conventional assumptions about market efficiency, rationality, and institutional design. Standard economic models tend to prioritize formalization, contractual enforcement, and individual rationality, often neglecting the role of social embeddedness and cultural values in shaping economic behavior (Bowles, 2016; North, 2017). In contrast, this study examines how informal, trust-based systems may function effectively when supported by strong social networks and shared norms. Such systems do not merely compensate for the absence of formal institutions, but represent distinct and viable forms of economic organization that are culturally grounded and socially sustained.

However, these locally embedded systems are increasingly confronted with pressures from globalization, market integration, and state-led formalization. While these processes may introduce efficiency, scalability, and broader economic opportunities, they also carry the risk of undermining the social foundations of trust-based systems (Stiglitz, 2019; Mazzucato, 2021). Recent literature suggests that the expansion of formal economic institutions can disrupt existing social networks, weaken reciprocal norms, and erode community-based forms of social capital (Kang & Koo, 2025). Therefore, understanding how trust-based systems persist, adapt, and transform under conditions of structural change becomes crucial for rethinking development paradigms. Rather than viewing informal economies as problems to be solved, there is a growing need to recognize them as context-specific institutional arrangements that contribute to resilience, inclusion, and sustainability (Woolcock, 2018; Suyatna et al., 2024).

Research Gap

Existing studies on the informal economy largely focus on survival strategies, labor precarity, or regulatory absence. Meanwhile, social capital literature often emphasizes urban networks or formal institutional contexts. There is limited integration between these perspectives, particularly in analyzing how intergenerational trust operates as an economic mechanism in indigenous settings. Furthermore, few studies address the tension between modernization and the persistence of culturally embedded economic systems. This gap limits our understanding of how local economies sustain resilience under structural change.

Novelty

1. This study makes three interrelated contributions to the literature on informal economies, social capital, and development. First, it advances a conceptual shift by framing trust not merely as a cultural attribute or moral value, but as a functional economic mechanism—what this study terms a “social currency.” In the context of Tabulahan, trust actively structures

economic transactions by enabling deferred payments, facilitating access to goods and services, and regulating participation through reputation and relational history. In doing so, trust performs roles typically associated with formal economic instruments, such as contracts, collateral, and enforcement mechanisms. This reconceptualization challenges assumptions that prioritize formal institutions as the primary basis of market efficiency by showing how informal, trust-based arrangements can support economic exchange under particular social conditions. By positioning trust as an operational economic resource, this study contributes to a more nuanced understanding of how markets function in socially embedded contexts.

2. Second, this study integrates the concept of intergenerational social capital into the analysis of informal markets, thereby extending existing theoretical frameworks that often treat social capital as static or context-bound. The findings reveal that trust is not only produced through repeated interactions in the present, but is also historically accumulated and transmitted across generations through family structures, customary institutions, and cultural practices. This intergenerational dimension ensures the continuity and stability of informal economic systems, as shared norms and expectations are internalized from an early age and reproduced over time. By highlighting the temporal and reproductive aspects of social capital, this study deepens our understanding of how informal institutions persist and adapt, particularly in indigenous settings where economic and social life are closely intertwined. It also underscores the importance of viewing social capital not simply as a resource, but as a dynamic process embedded within broader socio-cultural systems.

Research Questions

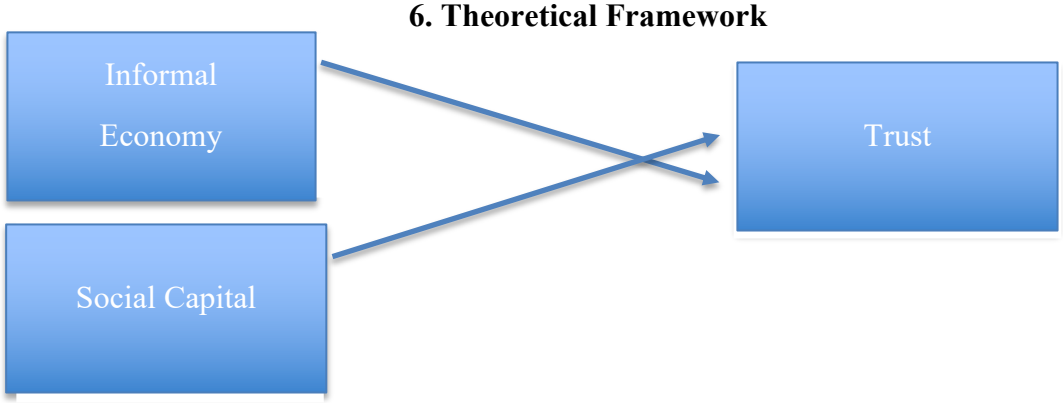
1. How does the indigenous trust market operate in Tabulahan?
2. How is intergenerational social capital formed and maintained?
3. How does trust contribute to economic resilience in the community?

Research Objectives

This study aims to:

1. Analyze the mechanisms of trust-based economic exchange.
2. Examine the dynamics of intergenerational social capital.
3. Explain the role of trust in sustaining economic resilience.

6. Theoretical Framework



Informal Economy

The informal economy should not be understood merely as a residual or marginal sector existing outside formal regulatory frameworks, but rather as a socially embedded system characterized by its own internal logic, norms, and institutional arrangements. Unlike formal economies that rely on codified rules and legal enforcement, informal economies are sustained

through interpersonal relationships, community-based networks, and reciprocal obligations that regulate economic behavior. These systems often emerge in contexts where state presence is limited or where formal institutions fail to accommodate local realities. As such, the informal economy represents an adaptive response to structural constraints, enabling communities to sustain livelihoods through flexible and context-sensitive arrangements. Importantly, its embedded nature highlights that economic actions are inseparable from social relations, reinforcing the idea that markets are socially constructed rather than purely abstract mechanisms.

Social Capital

Social capital, as conceptualized by Bourdieu and further developed by Putnam, refers to the accumulation of resources embedded within social networks, including trust, norms, and shared values that facilitate collective action. Bourdieu emphasizes the role of social capital in reproducing power relations and access to resources, while Putnam highlights its function in promoting social cohesion and institutional effectiveness.

In both perspectives, social capital operates as an intangible asset that enhances coordination, reduces conflict, and enables cooperation among individuals and groups. Within economic contexts, social capital becomes particularly significant as it lowers barriers to interaction and fosters mutual expectations, thereby enabling more efficient exchanges. In community-based settings, such as indigenous societies, social capital is often deeply rooted in kinship ties, customary institutions, and intergenerational relationships, making it a critical foundation for both social stability and economic organization.

Trust as Economic Mechanism

Trust functions as a fundamental mechanism that underpins economic interactions, particularly in contexts where formal enforcement mechanisms are weak or absent. It reduces uncertainty by creating expectations of reliable behavior, thereby lowering transaction costs associated with monitoring, enforcement, and risk mitigation. In this sense, trust operates as an informal institution that substitutes for formal contracts, enabling exchanges to occur even in the absence of legal guarantees. Beyond its instrumental role, trust also carries a relational dimension, as it is built through repeated interactions, shared norms, and reputational dynamics. High levels of trust facilitate long-term cooperation, enhance information flow, and increase the efficiency of economic systems. Conversely, the erosion of trust can lead to higher transaction costs and reduced economic performance. Therefore, trust should be understood not only as a moral or cultural value but as a critical economic resource that shapes market behavior and institutional outcomes.

Economic Resilience

Economic resilience refers to the capacity of individuals, communities, or systems to withstand, adapt to, and recover from external shocks, such as economic crises, environmental disruptions, or social transformations. It encompasses both the ability to absorb disturbances without collapsing and the capability to reorganize and innovate in response to changing conditions. In community-based economies, resilience is often closely linked to the strength of social networks, local knowledge systems, and adaptive cultural practices.

These elements enable flexible responses to uncertainty and reduce vulnerability to external pressures. Unlike conventional economic models that emphasize efficiency and growth, the concept of resilience prioritizes sustainability, adaptability, and long-term stability. In this regard, informal economies—supported by trust and social capital—often demonstrate high levels of resilience, as they rely on diversified strategies and collective support mechanisms rather than rigid institutional structures.

Cultural Economy

The cultural economy perspective emphasizes that economic activities are deeply shaped by cultural meanings, values, and historically embedded norms. Rather than viewing economic behavior as purely rational and utility-maximizing, this approach recognizes that decisions are influenced by symbolic systems, moral considerations, and social identities. Cultural values determine what is considered acceptable, legitimate, or desirable within economic interactions, thereby shaping patterns of production, exchange, and consumption. In many indigenous and local contexts, economic practices are inseparable from cultural traditions, rituals, and social obligations, reflecting a holistic worldview in which economic and social life are intertwined. This perspective challenges the universality of mainstream economic theories and highlights the importance of context-specific analysis. By integrating cultural dimensions into economic analysis, scholars can better understand the diversity of economic systems and the ways in which they sustain both material and social well-being.

METHOD

Qualitative research uses several stages, including In-Depth Interviews. This technique involves structured or semi-structured conversations to explore respondents' experiences, perspectives, or feelings.

Participatory Observation

The researcher participates in the activities being studied to understand behavior and interactions directly. This study employs a qualitative interpretive design to explore the dynamics of trust, social capital, and economic resilience within the indigenous community of Tabulahan, West Sulawesi. Data were collected through in-depth interviews with a diverse set of key informants selected based on their social roles, experiential knowledge, and relevance to the research context. These include Bapak Nur Lake and Bapak Deppatola, both recognized as traditional leaders who possess deep cultural authority and knowledge of customary economic practices. In addition, Imanuel, a respected indigenous figure in Mamasa, was included to provide broader insights into intergenerational cultural transmission and the continuity of trust-based systems.

To complement these internal community perspectives, the study also engaged Rio, a staff member of the Regent (Bupati) of Mamasa, who offers an institutional and policy-oriented viewpoint on local economic development and governance. Furthermore, Sopir Ibaz, a local driver with high mobility across the region, was included as a peripheral observer whose frequent interactions with different communities provide a unique and comparative perspective on everyday economic practices.

The selection of informants was conducted using purposive sampling to ensure depth, relevance, and diversity of perspectives. To enhance the credibility of the findings, data triangulation was conducted by comparing narratives across informants and identifying converging and diverging accounts. Data analysis followed a thematic interpretive approach, involving systematic processes of data reduction, open coding, categorization, and interpretive meaning-making. This analytical strategy enabled the identification of recurring patterns related to trust, social relations, and economic behavior, while also uncovering the underlying cultural logics that shape the indigenous trust market.

Findings Result and Discussion

Trust as Social Currency

The findings of this study indicate that trust functions as a form of “social currency” that governs everyday economic interactions in Tabulahan. In practice, transactions do not always involve immediate monetary payment but instead rely on individual reputation and long-established social relationships.

Bapak Nur Lake, as a traditional leader, explained:
"*Here, people do not always pay immediately. If they already know and trust each other, goods can be taken first and paid later when there is income*."
This statement illustrates that trust effectively substitutes for formal contracts in ensuring the continuity of transactions. A similar view was expressed by Bapak Deppatola, who emphasized the importance of social reputation:
"If a person has a good name and has never defaulted, people will be willing to extend trust. But once someone has broken that trust, it becomes difficult to trust them again."
From an external perspective, Sopir Ibaz, who frequently interacts across regions, observed that this system differs from other areas:
"Here, people trust words more than immediate money. That is something I rarely see in other places."
Thus, trust is not only a cultural value but also a concrete economic mechanism that regulates access to goods and services.

Intergenerational Transmission of Social Capital

This study finds that trust as a form of social capital does not emerge spontaneously but is systematically transmitted through intergenerational social processes. Values of trust are taught within families and reinforced through customary institutions.
Imanuel, a traditional leader in Mamasa, explained:
"Children here are taught from an early age to be honest and to keep their promises. This is not only about morality, but also about preparing them to live within society."
This indicates that trust is perceived as a long-term social investment. Bapak Deppatola further added:
"Parents always say that if you want to live well, you must not damage people's trust, because that is what we all rely on."
This process creates continuity in economic norms, where younger generations inherit not only practices but also the underlying values that sustain them. Thus, social capital is not merely structural, but also cultural and historically embedded.

Economic Resilience through Embedded Networks

Trust-based systems have been shown to enhance community economic resilience by creating mutually supportive social networks. In conditions of economic uncertainty, these networks enable flexibility and collective solidarity.
Rio, a staff member of the Regent of Mamasa, explained from a policy perspective:
"When there is a crisis or economic difficulty, people here do not immediately fall apart because they help one another. There is an unwritten system that allows them to keep going."
This is reinforced by the experience of Sopir Ibaz:
"I have seen myself that when someone is in difficulty, there is always someone willing to help, whether by providing goods first or lending money without collateral."
These findings indicate that trust-based social networks function as informal protection mechanisms that reduce economic vulnerability. These arrangements appear to provide flexible forms of mutual support under changing economic conditions.

The Development Paradox

Although trust-based systems play a significant role in fostering economic resilience, this study also identifies a paradox within development processes. Modernization and the expansion of formal economic systems bring efficiency, but at the same time may erode locally embedded values.
Rio expressed concerns from a governmental perspective:

"There is now a push toward more formal and transparent systems, but at the same time we must be careful not to disrupt the long-standing trust systems that already exist."
Meanwhile, Imanuel highlighted emerging social changes:
"The younger generation is becoming different. They are increasingly influenced by external systems, so trust-based values may gradually decline if they are not preserved."
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Table 1.1.

Empirical Findings

Main Theme	Sub-theme	Empirical Evidence (Informant Quotes)	Interpretation
Trust as Social Currency	Flexible payment	"Goods can be taken first" (Nur Lake)	Trust substitutes for money
	Social reputation	"If someone has defaulted before, it is hard to trust them again" (Deppatola)	Reputation functions as economic capital
Intergenerational Social Capital	Family socialization	"Taught from an early age" (Imanuel)	Values are transmitted across generations
	Customary norms	"Do not break trust"	Continuity of cultural values
Economic Resilience	Solidarity	"There is always someone willing to help" (Ibaz)	Social networks act as a safety net
	Crisis adaptation	"They do not fall immediately" (Rio)	Collective resilience
Development Paradox	Modernization pressure	"Formal systems are increasingly introduced" (Rio)	Efficiency vs. cultural preservation
	Generational change	"The younger generation is becoming different" (Imanuel)	Risk of value erosion

CONCLUSION

The indigenous trust market in Tabulahan illustrates that economic systems cannot be separated from the social and cultural structures in which they are embedded. Trust, in this context, functions as a central form of social capital that enables coordination, reduces uncertainty, and facilitates exchange without the need for formal enforcement. It is built cumulatively through repeated interactions, reinforced by reputation, and sustained through intergenerational transmission within families and customary institutions. As demonstrated by the interview findings, individuals who maintain honesty and uphold commitments are granted greater access to goods, services, and informal credit, indicating that trust operates as a socially recognized economic asset..

While formalization can provide broader market access and institutional support, it may simultaneously erode the social foundations upon which trust-based systems depend. As indicated by informants, younger generations are increasingly oriented toward formal economic

practices, potentially weakening the norms of reciprocity and communal accountability that sustain the indigenous trust market. This creates a development paradox in which the very processes intended to enhance economic growth may inadvertently undermine the social capital that has historically ensured resilience.

Recommendations

The findings of this study suggest several important recommendations for policy, practice, and future research. First, development policies should not aim to replace local trust-based systems with fully formalized economic structures, but rather seek to recognize, integrate, and strengthen these existing institutions. Indigenous trust systems have proven to be effective in regulating economic behavior, reducing transaction costs, and fostering social cohesion. Therefore, policymakers need to adopt a context-sensitive approach that acknowledges the legitimacy of informal institutions and incorporates them into broader development frameworks. This can be achieved through participatory policy design, where local communities and traditional leaders are actively involved in shaping economic programs, ensuring that interventions are aligned with cultural values and social norms.

Second, there is a need to explore and develop hybrid economic models that combine the strengths of both formal and informal systems. Formal institutions offer advantages such as legal protection, scalability, and access to wider markets, while informal systems provide flexibility, trust, and strong social networks. A hybrid approach would allow these systems to coexist and complement each other, rather than compete. For instance, future policy initiatives could explore ways of integrating formal economic support with locally embedded trust-based practices while preserving existing social relations. Such integration would enhance economic efficiency while preserving the social capital that underpins community resilience.

Finally, future research should expand beyond single-case studies and undertake comparative analyses across different indigenous communities, both within Indonesia and in other regions such as Latin America and Africa. Comparative research would provide a deeper understanding of how trust-based economic systems operate under varying cultural, institutional, and economic conditions. It would also help identify common patterns and context-specific differences, thereby contributing to the development of more generalizable theoretical frameworks. Additionally, future studies could incorporate mixed-method approaches, longitudinal designs, or the impact of digital transformation to further enrich the understanding of how indigenous trust markets evolve over time in response to global change.

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