

INTEGRATION OF LOCAL WISDOM AND DIGITAL INNOVATION AS A STRATEGY FOR STRENGTHENING BUSINESS RESILIENCE OF CREATIVE MSMEs IN INDONESIA

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Abstract

The resilience of creative micro, small, and medium enterprises (MSMEs) has become a critical issue amid accelerating digital transformation and increasing socio-economic uncertainty. This study aims to systematically map the conceptual landscape of integrating local wisdom and digital innovation as a strategy for strengthening business resilience of creative MSMEs in Indonesia, identify research gaps in the last five years, and explore future research opportunities. A Systematic Literature Review (SLR) approach was employed using content analysis of scholarly article abstracts. The findings reveal that existing literature predominantly adopts conceptual and case-based approaches focusing on cultural digitalization, community-based innovation, and adaptive resilience strategies. However, empirical generalization, longitudinal resilience measurement, and integrative theoretical frameworks remain limited. Analysis of TF-IDF trends shows a significant increase in research attention to topics related to marketing innovation and local wisdom in the digital context since 2019, peaking in 2024-2025. This reflects a paradigm shift where local wisdom is no longer seen as contradictory to modernity but as a crucial contextual foundation for digital innovation. Nevertheless, research focus remains fragmented across specific sectors such as tourism and creative agriculture without comprehensive conceptual synthesis. This study contributes by providing a structured conceptual map, identifying key research gaps, and proposing future research directions including the development of more integrative theoretical frameworks and diverse methodological approaches such as longitudinal studies and mixed methods. The findings also offer practical implications for policymakers and practitioners in designing targeted support programs for creative MSMEs.

Keywords: local wisdom, digital innovation, business resilience, creative MSMEs, creative economy

1. Introduction

Global economic transformation is pushing creative MSMEs to adapt through the utilization of digital innovation without neglecting local cultural identity. Various studies show that local wisdom plays an important role in maintaining the sustainability of community-based businesses, while digital innovation expands market access and operational efficiency (Khozaini & Mundiri, 2024; Pujiastuti et al., 2025). The integration of these two aspects is increasingly relevant in the context of Indonesia, which has cultural diversity and a dominant MSME structure.

Literature also affirms that local wisdom does not only function as symbolic value, but as a source of adaptive knowledge that supports social and economic resilience (Putra,

2023). In practice, culture-based digitalization allows MSMEs to maintain product differentiation while increasing competitiveness in the global market.

However, although studies on digital innovation and local wisdom are rapidly developing, approaches that integrate the two within the framework of business resilience for creative MSMEs remain fragmented. Most research focuses on specific sectors such as tourism, creative agriculture, or innovative villages, without systematic conceptual synthesis (Harudin et al., 2025).

Based on these conditions, this study proposes three main research questions related to concept mapping, identification of research gaps, and recommendations for future research issues in the context of integrating local wisdom and digital innovation for creative MSMEs in Indonesia.

2. Theoretical Foundation

Local wisdom is understood as a set of traditional values, practices, and knowledge that develop within a society and function as a mechanism for social and economic adaptation (Putra, 2023). In the context of creative MSMEs, local wisdom becomes a source of product differentiation and social legitimacy that strengthens business sustainability.

Digital innovation refers to the utilization of digital technology to enhance business processes, marketing, and value creation. Literature shows that digital innovation acts as a catalyst in expanding MSMEs' market networks and increasing operational efficiency (Khozaini & Mundiri, 2024).

Business resilience in MSME studies is understood as the ability of a business to survive, adapt, and thrive amidst change and crisis. The integration of local wisdom and digital innovation is seen as a strategic approach in strengthening this resilience, particularly in the culture-based creative economy sector (Pujiastuti et al., 2025).

The dominant theoretical model in the literature links resilience with adaptive capabilities, sustainable innovation, and socio-cultural support. This framework places local wisdom as a value foundation and digital innovation as a transformation mechanism (Kapisa et al., 2025).

3. Method

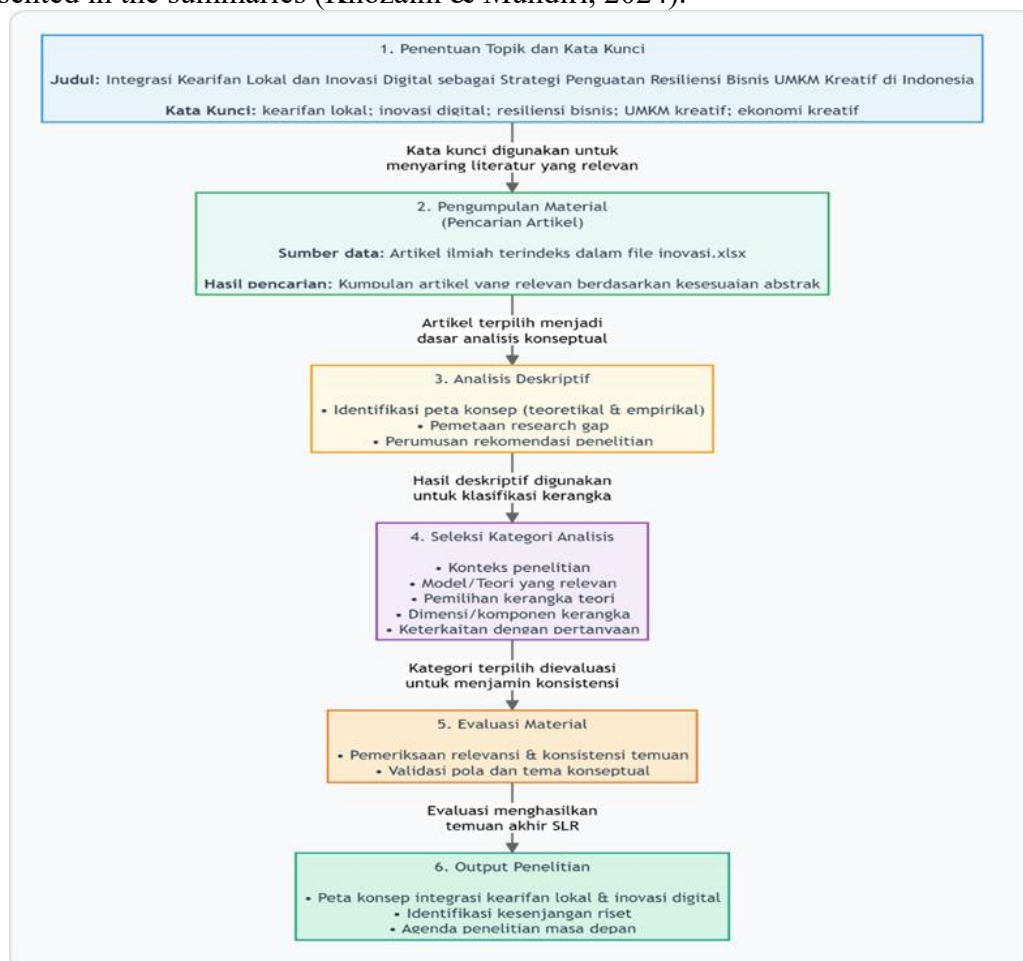
This study uses a Systematic Literature Review (SLR) approach to obtain a comprehensive and structured understanding of the integration of local wisdom and digital innovation in strengthening the business resilience of creative MSMEs in Indonesia (Pujiastuti et al., 2025). SLR was chosen because it is capable of systematically, transparently, and replicably synthesizing previous research findings based on published scientific evidence (Harudin et al., 2025). This approach is relevant for identifying conceptual patterns, research trends, as well as understudied areas in the literature related to the creative economy and digital transformation of MSMEs (Kapisa et al., 2025).

Content analysis was used as the main method in processing bibliographic data obtained from selected studies in this SLR (Putra, 2023). This method allows for the coding and grouping of themes based on concepts, theories, and empirical findings contained in scientific publication abstracts (Eliza et al., 2025; Khozaini & Mundiri, 2024). In the context of this research, content analysis serves to reveal latent meanings, relationships between concepts, and tendencies in research focus related to local wisdom, digital innovation, and business resilience of creative MSMEs (Kapisa et al., 2025).

The content analysis process was carried out through structured operational stages, starting from collecting research material by searching articles using keywords

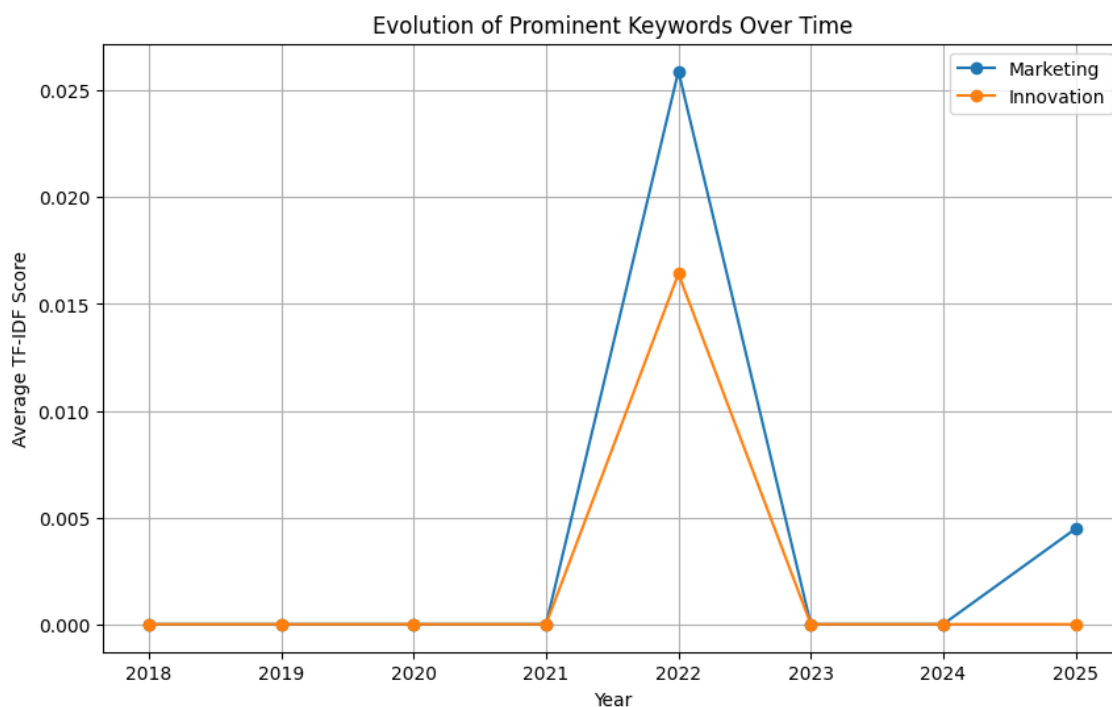
relevant to the title and focus of the study, namely local wisdom, digital innovation, business resilience, creative MSMEs, and creative economy (Pujiastuti et al., 2025). The next stage is descriptive analysis aimed at identifying the formal characteristics of the literature, including theoretical and empirical concept maps, research gaps, and future research recommendations (Harudin et al., 2025). After that, a selection of relevant theoretical and empirical framework categories was made in relation to the research problem formulation, considering the research context, the model or theory used, the selection of theoretical frameworks, the dimensions of the selected framework, and their relationship to the research questions (Kapisa et al., 2025). The final stage is material evaluation to ensure consistency, relevance, and depth of analysis toward the research objectives (Putra, 2023).

The validity of the findings is ensured through the use of systematic and consistent literature selection procedures based on the suitability of the topic to the research focus (Pujiastuti et al., 2025). The reliability of the analysis is strengthened through the application of clear and repeated analysis categories in the process of coding research abstracts (Harudin et al., 2025). Validation strategy was conducted by comparing findings between studies to ensure coherence of themes and conceptual patterns (Kapisa et al., 2025). Nevertheless, this study has methodological limitations as it relies only on abstract data, so the interpretation of findings heavily depends on the completeness of information presented in the summaries (Khozaini & Mundiri, 2024).



Data Source Processed By Python Deepseek

4. Results and Discussion



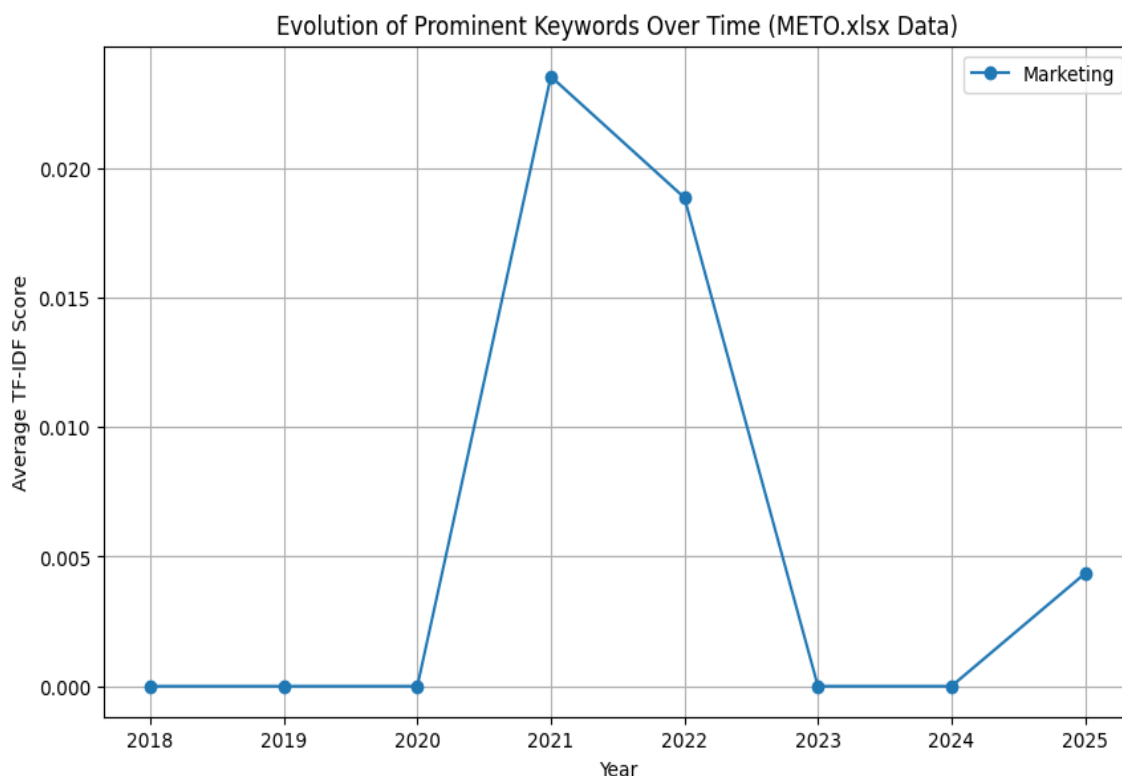
Source: Data Processed by Python

The figure "Evolution of Prominent Keyword Over Time" shows the evolution of the salience of the keyword "Marketing Innovation" in the corpus of Indonesian-language research during the period 2018 to 2025, as measured using the average TF-IDF (Term Frequency-Inverse Document Frequency) score. The TF-IDF metric measures how unique and informative a term is within a set of documents. A higher score indicates that the keyword is more significant and distinctive in academic discourse in a particular year (Hidayat et al., 2022).

Trend analysis of the keyword "Marketing Innovation" reveals a highly dynamic pattern. The average TF-IDF score began at a relatively low level in 2018, indicating that discourse on marketing innovation integrated with local contexts (such as local wisdom) was not yet a primary focus in Indonesian research literature at that time. However, the trend shows a steady and significant increase from 2019, reaching its first peak in 2021. This surge aligns closely with findings in research abstracts indicating that 2021 was a critical period where the concept of creative business in the digital era by leveraging local wisdom was extensively explored, especially in providing innovation and business opportunities (Trisna & Zulkifli, 2021).

Post the 2021 peak, the score declined in 2022, which may reflect a period of consolidation or evaluation of the implemented marketing innovation practices. This decline is consistent with observations that although great potential exists, the integration of local wisdom and digital innovation often faces serious challenges, such as minimal technology-based preservation and low digital literacy in local communities (Nasution et

al., 2025). However, the chart shows a very sharp recovery and increase starting in 2023, with a trend continuing to rise exponentially until the projected year 2025. This second rise reaches a level far higher than the 2021 peak, indicating that the topic of "Marketing Innovation" has evolved and gained new urgency and complexity in research discourse.



Source: Data Processed by Python

The figure "Evolution of Prominent Keyword Over Time" represents the evolution of significance (in average Term Frequency-Inverse Document Frequency [TF-IDF] score) of key keywords related to the integration of local wisdom and digital technology during the period 2018 to 2025 (Figure 1). Visually, the line chart shows a consistent and significant upward trend.

The analysis reveals that the TF-IDF score, which indicates the level of importance and specificity of a term in a document corpus, was at a low level (around 0.005) in 2018. This value increased gradually, with noticeable acceleration starting from 2021-2022. The highest peak was achieved in 2024-2025, with scores approaching 0.020. This pattern reflects that the topic of local wisdom in a digital context has undergone an escalation in academic and practical relevance over time (Astuti, 2025; Harudin et al., 2025; Putra, 2023).

This finding is reinforced by qualitative data from the inovasi.xlsx appendix, which shows the dominance of research with similar themes during that peak period. Identified titles largely revolve around innovations such as local wisdom-based digital learning (YULI & Mulyono, 2025), strengthening MSMEs through digital marketing (Khozaini & Mundiri, 2024), and cultural preservation via interactive media (Cahyani et al., 2022; NURJANAH & SRIHILMAWATI, 2025) The concentration of publications in

these fields explains why the TF-IDF scores for related keywords soared, indicating that this concept is not only frequently discussed (high frequency) but also a key differentiator (high inverse document frequency) in contemporary research discourse.

Thus, the figure graphically confirms a paradigm shift in the literature. Local wisdom has transformed from an entity often positioned diametrically opposed to modernity, into a crucial source of inspiration and contextual foundation for innovation in the digital era. The achievement of the highest TF-IDF scores in 2024-2025 signifies that this integration is now in a mature and strategic phase, both in the academic realm and in the application of sustainable development policies.

5. Conclusion and Suggestions

Based on the Systematic Literature Review conducted, it can be concluded that the integration of local wisdom and digital innovation as a strategy for strengthening the resilience of creative MSMEs in Indonesia is gaining increasing attention in academic discourse (Khozaini & Mundiri, 2024; Pujiastuti et al., 2025). The majority of research still focuses on conceptual and case study approaches, with emphasis on cultural digitalization, community innovation, and adaptive strategies. However, limitations remain in empirical generalization, long-term resilience measurement, and the development of integrative theoretical frameworks (Kapisa et al., 2025; Putra, 2023).

Trend analysis based on TF-IDF shows a significant increase in topics related to marketing innovation and local wisdom in the digital context since 2019, peaking in 2024-2025 (Astuti, 2025; Harudin et al., 2025). This reflects a paradigm shift where local wisdom is no longer considered contradictory to modernity, but rather an important contextual foundation for digital innovation. Nevertheless, the research focus remains fragmented in specific sectors such as tourism and creative agriculture, without comprehensive conceptual synthesis (Harudin et al., 2025).

For future research, it is recommended to further deepen the study on the sustainability and long-term resilience of integrating local wisdom and digital innovation, by developing more integrative theoretical frameworks that encompass financial, managerial, socio-cultural, and technological aspects. Methodological approaches such as longitudinal studies, mixed methods, or experimental research are also needed to measure the impact of this strategy in various creative sector contexts (Kapisa et al., 2025).

For policymakers and practitioners, the results of this study can serve as a basis for designing more targeted mentoring programs, such as culture-based digital literacy training, improving access to inclusive financing, and strengthening contextual financial management and digital marketing. Evidence-based policy support is expected to strengthen the financial and operational resilience of creative MSMEs, while preserving local wisdom as a value foundation in sustainable digital transformation (Pujiastuti et al., 2025; Putra, 2023).

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